

# Affin Hwang

## USD Cash Fund

Quarterly Report  
30 June 2022

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 USD CASH FUND

## Quarterly Report and Financial Statements As at 30 June 2022

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## QUARTERLY REPORT

### FUND INFORMATION

|                     |                                                                                                                |
|---------------------|----------------------------------------------------------------------------------------------------------------|
| Fund Name           | Affin Hwang USD Cash Fund                                                                                      |
| Fund Type           | Income                                                                                                         |
| Category            | Money Market Wholesale (open-ended)                                                                            |
| Objective           | The Fund seeks to provide investors with a regular income stream and liquid access to their investments        |
| Benchmark           | The Fund shall benchmark itself against the Malayan Banking Berhad Foreign Currency Account Overnight USD rate |
| Distribution Policy | Subject to the availability of income, the Fund will distribute income on a monthly basis.                     |

### FUND PERFORMANCE DATA

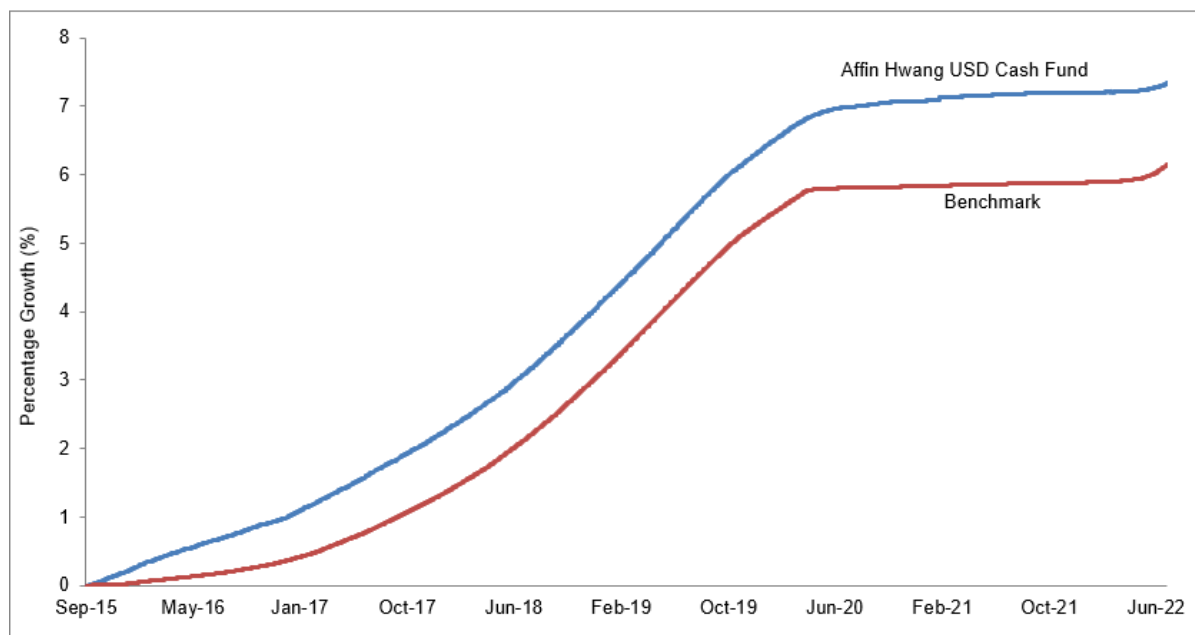
| Category                      | As at<br>30 Jun 2022 | As at<br>31 Mar 2022 |
|-------------------------------|----------------------|----------------------|
| Total NAV (USD'million)       | 17.537               | 21.080               |
| NAV per Unit (USD)            | 1.0214               | 1.0205               |
| Unit in Circulation (million) | 17.170               | 20.656               |

Performance as at 30 June 2022

|                       | 3 Months<br>(1/4/22 -<br>30/6/22) | 6 Months<br>(1/1/22 -<br>30/6/22) | 1 Year<br>(1/7/21 -<br>30/6/22) | 3 Years<br>(1/7/19 -<br>30/6/22) | 5 Years<br>(1/7/17 -<br>30/6/22) | Since<br>Commencement<br>(1/10/15 -<br>30/6/22) |
|-----------------------|-----------------------------------|-----------------------------------|---------------------------------|----------------------------------|----------------------------------|-------------------------------------------------|
| <b>Fund</b>           | <b>0.12%</b>                      | <b>0.13%</b>                      | <b>0.16%</b>                    | <b>1.85%</b>                     | <b>5.65%</b>                     | <b>7.34%</b>                                    |
| <b>Benchmark</b>      | <b>0.21%</b>                      | <b>0.24%</b>                      | <b>0.26%</b>                    | <b>1.71%</b>                     | <b>5.32%</b>                     | <b>6.14%</b>                                    |
| <b>Outperformance</b> | <b>(0.09%)</b>                    | <b>(0.11%)</b>                    | <b>(0.10%)</b>                  | <b>0.14%</b>                     | <b>0.33%</b>                     | <b>1.20%</b>                                    |

Source of Benchmark: Maybank

## 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 Maybank."*  
 Benchmark: Malayan Banking Berhad Foreign Currency Account Overnight USD rate

**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 2022  |
|---------------------|---------------|
|                     | (%)           |
| Cash & money market | 100.00        |
| <b>Total</b>        | <b>100.00</b> |

## Strategies Employed

The Manager maintained a high level of investment in USD-denominated deposit placements to provide investors with regular income stream and liquid access to their respective investments.

## Market Review

Uncertainty has been an ongoing theme in economies and markets. At the start of the year, investment markets started to take seriously the potential implications of a change in monetary policy direction as inflationary pressures showed little signs of abating. Market volatility then spiked further after US Federal Reserve (Fed) Chairmen Powell's testimony suggested that asset price deflation would not be a reason to ease off rate normalisation. The 75 basis points (bps) rate hike in June by the Fed was a clear indication that Central Bank priorities have shifted to addressing inflationary pressures. Whilst some factors driving inflation could be temporary as a result of supply chain issues or the Ukraine conflict, there is also a recognition that the period of loose monetary policy to stimulate the economy during the pandemic has created a foundation for higher inflation.

Although global equities started 2022 on a strong note due to policy easing, equity markets saw notable retracement, potentially heading towards a bear market by the second half of the year. With decreasing optimism over the growth outlook, more defensive business models are being valued, as both Healthcare and Consumer Staples outperformed during both June and the second quarter of 2022. However, the global equity markets in general saw a selloff in June with the Morgan Stanley Capital International All Country World Index (MSCI AC World) declining 8.6% in June.

Real GDP growth for US in the first quarter was weaker than expected, falling 1.4% on an annualized basis. The weakness can be largely attributed to a decline in the real trade deficit, lower government spending and a decrease in fiscal stimulus that was initiated to improve spending during the pandemic. Economic data showed sign of weakening while inflationary pressures continued to prompt the Federal Reserve into a more aggressive stance on interest rate hikes. However, domestic demand continues to be resilient, with personal consumption expenditures up 2.7% on an annualized basis.

In the Eurozone, equities continue to decline in the second quarter as the conflict between Ukraine and Russia persist, further placing upward pressure on inflation – annual eurozone inflation reached 8.6% in June, an increase from 8.1% in May. The sectors that performed best included energy due to continued strong demand and communication services given their defensive profile. Information technology, consumer discretionary and real estate fared weaker as these sectors tend to be affected by supply chain disruptions and concerns over consumer confidence the most.

China went through a sharp slowdown in April and May this year due to strict lockdown in major cities in the country. However, as Covid-19 restrictions relaxed, economic data reflected a positive picture due to economic stimulus from tax and government fee reductions in addition to increasing local government bond issuance with the aim to fund spending. Given the low valuation, Chinese equities was only one of the few markets ending the month of June on a positive return, with the CSI300 up 9.6% in the month and outperforming the Standard & Poor's 500 (S&P 500) by 10 percentage points. The Chinese Yuan also experienced some sharp depreciation during the first quarter of 2022 as the 2-year US Treasury yield rose above its Chinese equivalent. It has however recovered slightly as we head into the second half of the year.

Asia equities registered a negative return in the second quarter. Investors were increasingly downbeat as rising global inflation and supply chain issues could tip the economy into a recession. Expectations of higher interest rates and the still ongoing conflict between Russia and Ukraine also weakened investor sentiment. Taiwan performed worst in terms of index market as major electronics manufacturers and chip slumped due to concerns that rising inflation and soaring energy prices will continue to weaken investor sentiment toward the market.

Bond yields continued to rise in June 2022 as central bank hawkishness increased, resulting in further negative returns in an environment of continued high inflation and expectations of significant interest rate hikes. US consumer price inflation accelerated to 9.1% year on year in June. Corporate bonds garnered negative total returns and underperformed government bonds in general.

Over the first half of the year, we saw energy prices continue to outperform the broader market. However, investors have become increasingly concerned over the impact rising commodity prices will have on consumer spending and economic activity in general. The concerns were warranted as the Materials and Energy sector experienced notable corrections, though Energy remained the best performing sector over the second quarter.

On the domestic front, the KLCI fell by 8.02% in June, its sharpest monthly decline since the start of the pandemic in March 2020. The decline can be attributed to pessimistic global market sentiment over concerns of inflation and tightening monetary policies potentially coaxing the economy into a recession. In terms of trade, Malaysia continued to see a strong performance through June 2022 with a value of RM270.4 billion, a 43.4% growth from a year ago. Exports expanded 38.8% while imports grew 49.3%.

## **Investment Outlook**

2022 is set to be a year of transition for markets as investors continue to contend with normalization of growth rates and monetary policy tightening. Both equities and bonds are down year-to-date as uncertain policy outlooks, an energy shock and weak growth outlook in China continue to stir markets. With the most impactful effects of the pandemic likely behind us, peak policy support and with it peak GDP growth during the pandemic

era also likely realized in 2021. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

The Russia-Ukraine tension is also weighing on sentiments. With continued disruptions to supply chains, the conflict is contributing to inflationary pressures and it is no surprise that commodities are on track to outperform equities for the second consecutive year. However, history suggest that market impact from geopolitical events tend to be short. We expect markets to shift the focus back to tighter monetary conditions and slowing growth moving forward.

The inversion of the US yield curve and whether it is an accurate predictor of a recession has been widely discussed as of late. Whilst a recession is not inevitable in our view, we are increasingly of the opinion that economic growth will likely slow materially in the coming months as consumers adjust to rapidly rising costs. Although the default response to decelerating growth in recent years by central banks is to increase liquidity, this is much less likely this time as battling inflation is seen as a more pressing matter.

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.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and an easing of Russia-Ukraine tension as potential turnarounds for the market to improve.

## AFFIN HWANG USD CASH FUND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

|                                                                                                  | Financial<br>period ended<br><u>30.6.2022</u><br>USD | Financial<br>period ended<br><u>30.6.2021</u><br>USD |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>INVESTMENT INCOME</b>                                                                         |                                                      |                                                      |
| Interest income from financial assets<br>at fair value through profit or loss                    | 70,124                                               | 87,486                                               |
| Net loss on foreign currency exchange                                                            | (1,921)                                              | (221)                                                |
|                                                                                                  | <u>68,203</u>                                        | <u>87,265</u>                                        |
| <b>EXPENSES</b>                                                                                  |                                                      |                                                      |
| Management fee                                                                                   | (23,096)                                             | (26,444)                                             |
| Trustee fee                                                                                      | (4,799)                                              | (7,157)                                              |
| Fund accounting fee                                                                              | (2,126)                                              | (3,913)                                              |
| Auditors' remuneration                                                                           | (1,253)                                              | (1,262)                                              |
| Tax agent's fee                                                                                  | (627)                                                | (631)                                                |
| Other expenses                                                                                   | (1,486)                                              | (2,263)                                              |
|                                                                                                  | <u>(33,387)</u>                                      | <u>(41,670)</u>                                      |
| <b>NET PROFIT BEFORE TAXATION</b>                                                                | 34,816                                               | 45,595                                               |
| Taxation                                                                                         | (10,745)                                             | (12,009)                                             |
| <b>NET PROFIT AFTER TAXATION AND TOTAL<br/>COMPREHENSIVE INCOME FOR THE<br/>FINANCIAL PERIOD</b> | <u>24,071</u>                                        | <u>33,586</u>                                        |
| Net profit after taxation is made up of the following:                                           |                                                      |                                                      |
| Realised amount                                                                                  | 25,965                                               | 33,618                                               |
| Unrealised amount                                                                                | (1,894)                                              | (32)                                                 |
|                                                                                                  | <u>24,071</u>                                        | <u>33,586</u>                                        |

## AFFIN HWANG USD CASH FUND

### UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

|                                                          | <u>2022</u><br>USD | <u>2021</u><br>USD |
|----------------------------------------------------------|--------------------|--------------------|
| <strong>ASSETS</strong>                                  |                    |                    |
| Financial assets at fair value<br>through loss or profit | 17,532,601         | 30,095,841         |
| Cash and cash equivalents                                | 1,633              | 4,114,406          |
| Tax recoverable                                          | 11,270             | 12,114             |
| <strong>TOTAL ASSETS</strong>                            | <u>17,545,504</u>  | <u>34,222,361</u>  |
| <strong>LIABILITIES</strong>                             |                    |                    |
| Amount due to Manager<br>- management fee                | 2,097              | 4,281              |
| Amount due to Trustee                                    | 419                | 856                |
| Auditors' remuneration                                   | 1,253              | 1,262              |
| Tax agent's fee                                          | 675                | 631                |
| Other payables and accruals                              | 3,809              | 1,680              |
| <strong>TOTAL LIABILITIES</strong>                       | <u>8,253</u>       | <u>8,710</u>       |
| <strong>NET ASSET VALUE OF THE FUND</strong>             | <u>17,537,251</u>  | <u>34,213,651</u>  |
| <strong>EQUITY</strong>                                  |                    |                    |
| Unitholders' capital                                     | 16,425,465         | 33,101,433         |
| Retained earnings                                        | 1,111,786          | 1,112,218          |
| <strong>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</strong>  | <u>17,537,251</u>  | <u>34,213,651</u>  |
| <strong>NUMBER OF UNITS IN CIRCULATION</strong>          | <u>17,170,000</u>  | <u>33,506,000</u>  |
| <strong>NET ASSET VALUE PER UNIT (USD)</strong>          | <u>1.0214</u>      | <u>1.0211</u>      |

## AFFIN HWANG USD CASH FUND

### UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

|                                                     | Unitholders'<br><u>capital</u><br>USD | Retained<br><u>earnings</u><br>USD | <u>Total</u><br>USD |
|-----------------------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Balance as at 1 October 2021                        | 24,832,806                            | 1,106,760                          | 25,939,566          |
| Total comprehensive income for the financial period | -                                     | 24,071                             | 24,071              |
| Distributions                                       | -                                     | (19,045)                           | (19,045)            |
| Movement in unitholders' capital:                   |                                       |                                    |                     |
| Creation of units arising from applications         | 8,441,091                             | -                                  | 8,441,091           |
| Creation of units arising from distributions        | 19,045                                | -                                  | 19,045              |
| Cancellation of units                               | (16,867,477)                          | -                                  | (16,867,477)        |
| Balance as at 30 June 2022                          | <u>16,425,465</u>                     | <u>1,111,786</u>                   | <u>17,537,251</u>   |
| Balance as at 1 October 2020                        | 34,925,869                            | 1,126,037                          | 36,051,906          |
| Total comprehensive income for the financial period | -                                     | 33,586                             | 33,586              |
| Distributions                                       | -                                     | (47,405)                           | (47,405)            |
| Movement in unitholders' capital:                   |                                       |                                    |                     |
| Creation of units arising from applications         | 19,096,581                            | -                                  | 19,096,581          |
| Creation of units arising from distributions        | 47,405                                | -                                  | 47,405              |
| Cancellation of units                               | (20,968,422)                          | -                                  | (20,968,422)        |
| Balance as at 30 June 2021                          | <u>33,101,433</u>                     | <u>1,112,218</u>                   | <u>34,213,651</u>   |

[www.affinhwangam.com](http://www.affinhwangam.com)

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