



**QUARTERLY REPORT**  
31 October 2022

# Affin Hwang **RMB** **Bond Fund**

**MANAGER**  
AHAM Asset Management Berhad  
*(Formerly known as Affin Hwang Asset  
Management Berhad)*  
199701014290 (429786-T)

**TRUSTEE**  
HSBC (Malaysia) Trustee Berhad  
193701000084 (1281-T)

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# AFFIN HWANG RMB BOND FUND

## Quarterly Report and Financial Statements As at 31 October 2022

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## QUARTERLY REPORT

### FUND INFORMATION

Fund Name	Affin Hwang RMB Bond Fund
Fund Type	Income
Fund Category	Bond (Wholesale)
Investment Objective	The Fund aims to provide investors with regular income
Benchmark	1 Year China Household Savings Deposit Rate Index
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

### FUND PERFORMANCE DATA

#### MYR Class

Category	As at 31 Oct 2022	As at 31 Jul 2022
Total NAV (RM'million)	29.562	32.140
NAV per Unit (RM)	0.4352	0.4654
Unit in Circulation (million)	67.916	69.064

#### RMB Class

Category	As at 31 Oct 2022	As at 31 Jul 2022
Total NAV (RMB'million)	34.181	36.082
NAV per Unit (RMB)	0.4339	0.4527
Unit in Circulation (million)	78.767	79.701

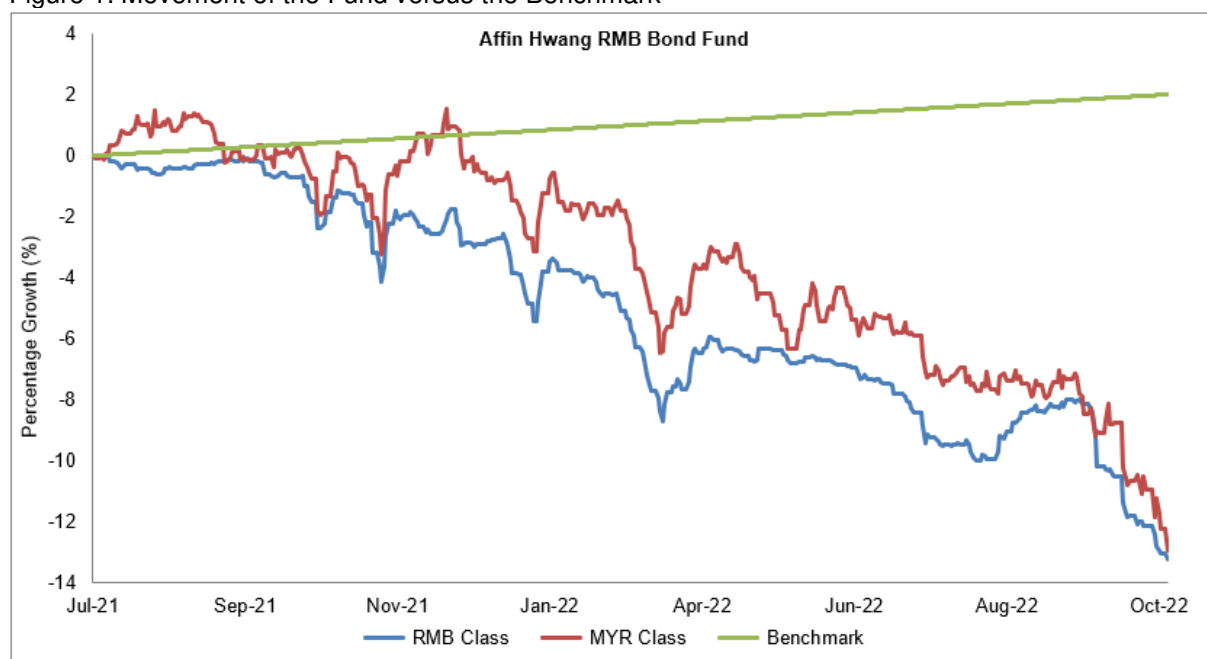
## Fund Performance

Table 1: Performance as at 31 October 2022

	<b>3 Months</b> (1/8/22 - 31/10/22)	<b>6 Months</b> (1/5/22 - 31/10/22)	<b>1 Year</b> (1/11/21 - 31/10/22)	<b>Since Commencement</b> (2/7/21 - 31/10/22)
<b>Benchmark</b>	<b>0.38%</b>	<b>0.75%</b>	<b>1.50%</b>	<b>2.01%</b>
<b>RMB Class</b>	<b>-4.15%</b>	<b>-7.35%</b>	<b>-11.86%</b>	<b>-13.22%</b>
<b>Outperformance</b>	<b>-4.53%</b>	<b>-8.10%</b>	<b>-13.36%</b>	<b>-15.23%</b>
<b>MYR Class</b>	<b>-6.49%</b>	<b>-8.86%</b>	<b>-12.12%</b>	<b>-12.96%</b>
<b>Outperformance</b>	<b>-6.87%</b>	<b>-9.61%</b>	<b>-13.62%</b>	<b>-14.97%</b>

Source of Benchmark: Bloomberg

Figure 1: Movement of the Fund versus the Benchmark



*"This information is prepared AHAM Asset Management Berhad (AHAM), (formerly known as Affin Hwang 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: 1 Year China Household Savings Deposit Rate 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:

	<u>31 October 2022</u>
	(%)
Fixed Income	88.74
Derivatives	-1.67
Cash & money market	12.93
<b>Total</b>	<b>100.00</b>

## **Strategies Employed**

The Fund invests into RMB denominated bonds and aims to provide regular income over the medium to long term period.

## **Market Review**

Sustained inflationary pressures as well as central bank tightening continues to present a headwind to financial markets. Geopolitical instability also contributes to market concerns as friction between Russia and Ukraine persists, causing supply chain disruptions among investor concerns. 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. As we enter the last quarter of the year, numerous interest rates hikes have taken place over the year. The US Federal Reserve (Fed) has raised the fed funds rate by three percentage points by October 2022 to address inflationary pressures. All eyes will be on the upcoming Fed's policy meeting on the 1-2 November where a 75 basis points (bps) rate hike is widely baked into market expectations. Investors will be keeping a lookout on the Fed' forward commentary to see if there are any signs of a pivot.

Following a slump in the previous month, US equities recovered some ground in October on optimism that the Fed is considering easing monetary policy. The Standard & Poor (S&P) 500 index climbed 8.0% higher as souring consumer confidence and falling home prices raised expectations that the Fed could start to hit the brakes on tightening. However, despite the recent gain, a comparison of the index with a year ago shows a decline of 15.92%. The Nasdaq index similarly closed 3.9% higher than last month as earnings season kicked into high gear. As of October 2022, 226 companies within the S&P 500 have reported results. Out of this figure, 60% of companies delivered an earnings beat. However, the surprise magnitude was only 0.9% which is well below average levels.

The euro area annual inflation rate was 10.7% year-on-year in October, the energy sector being the largest contributor to the increase. The month also saw the European Commission propose new regulation to cap energy prices and introduce measures such as joint gas purchasing. All sectors in the Eurozone gained in the month, with energy and industrials the largest contributor and the weaker sectors being consumer and consumer staples. The European Central Bank (ECB) raised interest rates by 75 bps and acknowledge that the eurozone may face recession, signalling a sign that the pace of rates rises could soon ease. This increased the appetite for shares.

In Asia the broader MSCI (Morgan Stanley Composite Index) Asia ex-Japan index fell 6.1% in October, dragged by losses in China. The MSCI China index plunged by over 16.8% as COVID-19 flare-ups and policy uncertainty post-Congress weigh on risk sentiment. There were few surprises in China's 20th Party Congress which is held once every 5 years. As expected, the Chinese Communist Party elected Xi Jinping as its general secretary (the highest position in the party) for an unprecedented third term, further cementing his leadership. Markets are jittery as President Xi Jinping's further consolidation of power together with his close allies fuelled risk that disruptive past policies like Beijing's tech regulatory crackdown and its strict zero COVID strategy would continue. Share prices in Taiwan were also lower in October due to ongoing geopolitical tensions with China.

Back on the home front, the local market edged 4.7% higher as election fever heats up. After much speculation, the dissolution of Parliament was announced by Prime Minister Datuk Seri Ismail to pave the way for the 15th general election("GE15"). The nomination of candidates is set to be announced on the 5 November and voting taking place on the 19 November.

The current market base-case is that Barisan Nasional could muster a sufficient majority to form a new government. This outcome may be viewed positively as markets believe that it signifies policy continuity, where any new fiscal budget would also be similar to the one tabled before.

As of October 2022, US Treasury (UST) yield curve continue to rise and remain inverted on the back of US Fed aggressive rate hike policy to reduce the high level of inflation. UST yields moved higher on a month-on-month basis across the curve. The long end shifted the less, reflecting expectations on slower growth in the future. UST10Y ended higher at 4.05%, an increase of 22bps from the previous month, amidst elevated level

of inflation and tight job market. The UST 2Y/10Y inversion was flat at 44bps (Sep: 45bps), reflecting a higher possibility of a recession.

On the domestic front, after the sell-off in the previous month, Malaysian government securities (MGS) yields saw a bit of relief in October as yields ended and the longer-tenured yields, 10, 15, 20 and 30 years, fell by around 3 to 10 bps amidst possibility of central banks slowed down their pace of rates hiking.

Headline inflation tapered off to +4.5% in September (August: +4.7%), suggesting the headline inflation has likely peaked. However, the core Consumer Price Index (CPI) figures continued to tick higher at +4.0% in September (August: +3.8%) amidst elevated commodity prices, strong demand and tight labor markets. Expect headline consumer price index (CPI) to hover at current level before moderating in the fourth quarter of the year (assuming subsidies remain unchanged). Due to the elevated inflation level and strong economic growth, Bank Negara Malaysia (BNM) raised rates by 25 bps in the overnight policy rate (OPR) rate to bring it to 2.75% by year end.

The S&P Goldman Sachs Commodities Index (GSCI) recorded a positive performance in October as higher energy prices offsetting weaker prices for agriculture and precious metals. Energy once again, was the best-performing component of the index with higher prices for oil and unleaded gasoline offsetting a fall in natural gas prices. Gold, however, fell 2% in October from rising bond yields and dollar strength. The commodity fell for the seventh consecutive month in October despite a strong start in the month. The slump was mainly attributed to strong monthly gains in equities and flat bond prices.

## **Investment Outlook**

Markets are set to remain challenging as the global economy waddles through several turbulent changes. The effects of Russia's invasion of Ukraine, the highest level of inflation seen in several decades and lingering COVID-19 pandemic effects all contribute heavily to the outlook. As policymakers aim to lower inflation back to a sustainable range, monetary and fiscal policy that provided support during the pandemic has started to normalise. However, without careful calibration of policies, more economies could potentially see a larger degree of slowing growth or outright contraction. The possibility of another pandemic induced supply chain reduction on top of the continuing Russia-Ukraine conflict could affect the global economy's health.

Economists are expecting a weaker growth in 2023 compared to 2022 with the proliferation of slow global growth induced by the effects of rapid rate hikes and inflation to name a few. A slowdown in the Asia Pacific region is mostly anticipated from sluggish global trade next year as the outlook for exports over the first half of the year is projected to be weak.

In the broader Asian market, bilateral relationships between US and China may continue to deteriorate following an order by the US government in early September 2022 preventing chipmakers including Nvidia and Advanced Micro Devices (AMD) from exporting specific advanced chips to China. On a positive note, delisting fears for US listed Chinese stocks have alleviated to some extent on the news of an agreement between both governments over the auditing dispute being reached.

US economic data that was released in the month posted its first positive growth for 2022. The nation's gross domestic product (GDP) increased at a 2.6% annualized pace in the third quarter of 2022, above the Dow Jones forecast of 2.3%. The growth can be mostly attributed to a narrowing trade deficit, which economists consider to be a one-off occurrence.

We expect markets to remain volatile as markets continue to shift between competing narratives of elevated inflation and rising risk of a recession, which will take time to play out. In addition to global rate hikes, sudden fiscal policy intervention as seen in the UK could further increase volatility. Risks to the outlook continue to remain large and for the most part, to the downside. Central banks and policymakers could misjudge the right stance to contain inflation and reign it in for a soft landing. If policy paths in the largest economies continue to diverge, further US dollar appreciation and cross-border tension could be observed.

## AFFIN HWANG RMB BOND FUND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2022

	Financial period ended <u>31.10.2022</u> CNH	Financial period ended <u>31.10.2021</u> CNH
<b>INVESTMENT LOSS</b>		
Interest income from financial assets at amortised cost	3,913	12,906
Interest income from financial assets at fair value through profit or loss	2,653,944	803,439
Net loss on foreign currency exchange	(44,109)	(299,865)
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss	(2,200,258)	550,113
Net loss on financial assets at fair value through profit or loss	(8,653,921)	(2,247,639)
	<u>(8,240,431)</u>	<u>(1,181,046)</u>
<b>EXPENSES</b>		
Management fee	(661,231)	(342,599)
Trustee fee	(33,066)	(17,150)
Auditors' remuneration	(17,098)	-
Tax agent's fee	(7,480)	-
Other expenses	(48,610)	(17,721)
	<u>(767,485)</u>	<u>(377,470)</u>
<b>NET LOSS BEFORE TAXATION</b>	(9,007,916)	(1,558,516)
Taxation	-	-
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>(9,007,916)</u>	<u>(1,558,516)</u>
Decrease in net asset attributable to unitholders is made up of the following:		
Realised amount	(419,044)	963,555
Unrealised amount	(8,588,872)	(2,522,071)
	<u>(9,007,916)</u>	<u>(1,558,516)</u>

## AFFIN HWANG RMB BOND FUND

### UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2022

	<u>2022</u> CNH	<u>2021</u> CNH
<b>ASSETS</b>		
Cash and cash equivalents	9,350,642	9,996,987
Amount due from Manager		
- creation of units	410,889	15,431
Financial assets at fair value through profit or loss	72,122,913	90,383,627
Forward foreign currency contracts at fair value through profit or loss	-	94,634
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<b>TOTAL ASSETS</b>	<b>81,884,444</b>	<b>100,490,679</b>
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<b>LIABILITIES</b>		
Forward foreign currency contracts at fair value through profit or loss	1,337,492	86,772
Amount due to Manager		
- management fee	69,097	86,179
- cancellation of units	407,348	-
Amount due to Trustee	3,455	4,309
Auditors' remuneration	17,082	-
Tax agent's fee	7,430	-
Other payables and accruals	8,541	-
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<b>TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>1,850,445</b>	<b>177,260</b>
	<hr/>	<hr/>
<b>NET ASSET VALUE OF THE FUND</b>	<b>80,033,999</b>	<b>100,313,419</b>
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<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>80,033,999</b>	<b>100,313,419</b>
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## AFFIN HWANG RMB BOND FUND

### UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2022 (CONTINUED)

	<u>2022</u> CNH	<u>2021</u> CNH
<b>REPRESENTED BY:</b>		
<b>FAIR VALUE OF OUTSTANDING UNITS</b>		
- MYR class	45,853,338	54,837,696
- RMB class	34,180,661	45,475,723
	<u>80,033,999</u>	<u>100,313,419</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>		
- MYR class	67,916,000	71,601,000
- RMB class	78,767,000	92,381,000
	<u>146,683,000</u>	<u>163,982,000</u>
<b>NET ASSET VALUE PER UNIT (CNH)</b>		
- MYR class	0.6751	0.7659
- RMB class	0.4339	0.4923
	<u>0.6751</u>	<u>0.7659</u>
	<u>0.4339</u>	<u>0.4923</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>		
- MYR class	RM0.4352	RM0.4952
- RMB class	CNH0.4339	CNH0.4923
	<u>RM0.4352</u>	<u>RM0.4952</u>
	<u>CNH0.4339</u>	<u>CNH0.4923</u>

## AFFIN HWANG RMB BOND FUND

### UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2022

	Financial period ended <u>31.10.2022</u> CNH	Financial period ended <u>31.10.2021</u> CNH
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	97,194,706	-
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	1,169,067	115,820,713
- MYR class	596,460	61,632,503
- RMB class	572,607	54,188,210
Cancellation of units	(9,321,858)	(13,948,778)
- MYR class	(6,744,375)	(6,004,668)
- RMB class	(2,577,483)	(7,944,110)
Decrease in net assets attributable to unitholders during the financial period	(9,007,916)	(1,558,516)
- MYR class	(924,341)	(790,139)
- RMB class	(8,083,575)	(768,377)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<u>80,033,999</u>	<u>100,313,419</u>

**AHAM Asset Management Berhad**

(Formerly known as Affin Hwang 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 F: +603 2116 6100  
[www.aham.com.my](http://www.aham.com.my)