AHAM CAPITAL
ASSET MANAGEMENT

QUARTERLY REPORT
31 October 2023

AHAM **Malaysia Government Bond** Fund (formerly known as Affin Hwang Malaysia Government Bond Fund)

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AHAM MALAYSIA GOVERNMENT BOND FUND (formerly known as Affin Hwang Malaysia Government Bond Fund)

Quarterly Report and Financial Statements
As at 31 October 2023

Contents	Page

QUARTERLY REPORT 2
STATEMENT OF COMPREHENSIVE INCOME 6
STATEMENT OF FINANCIAL POSITION 7
STATEMENTS OF CHANGES IN EQUITY 8

QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Malaysia Government Bond Fund (formerly known as Affin Hwang Malaysia Government Bond Fund)
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide investors with income over a medium to long-term investment horizon
Benchmark	12-month fixed deposit rate quoted by Maybank
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on a semi-annual basis

FUND PERFORMANCE DATA

Category	**As at 31 Oct 2023**	**As at 31 Jul 2023**
Total NAV (RM'million)	45.355	45.347
NAV per Unit (RM)	1.0649	1.0936
Unit in Circulation (million)	42.590	41.467

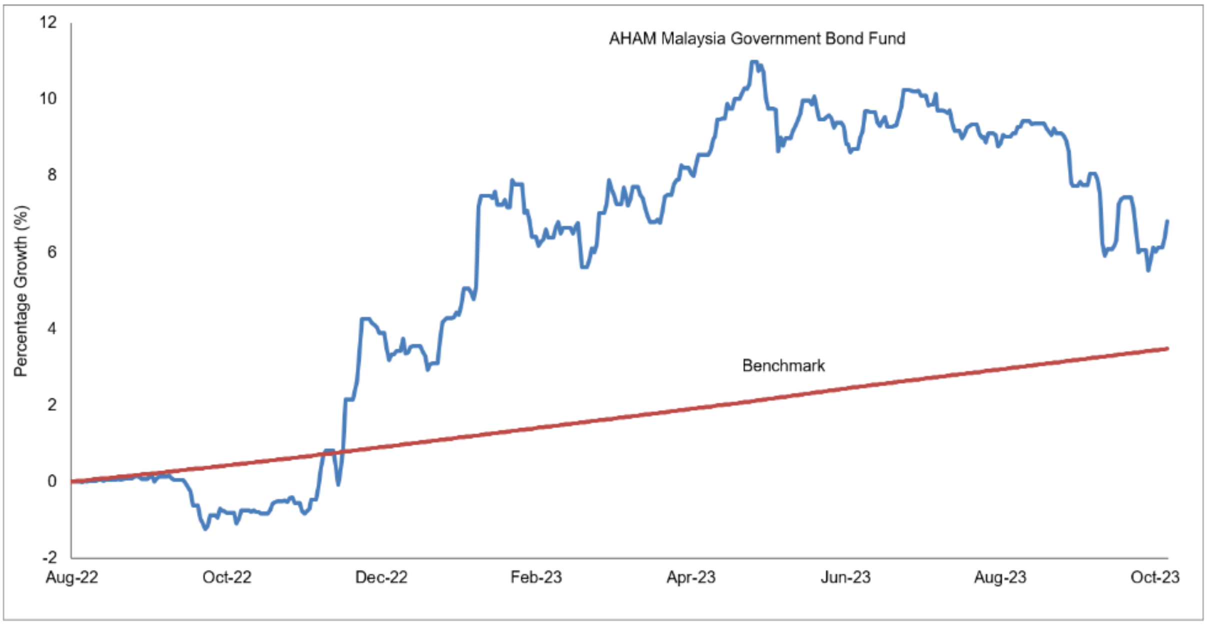
Fund Performance

Table 1: Performance as at 31 October 2023

	3 Months (1/8/23 - 31/10/23)	6 Months (1/5/23 - 31/10/23)	1 Year (1/11/22 - 31/10/23)	Since Commencement (4/8/22 - 31/10/23)
Fund	(2.62%)	(2.45%)	7.34%	6.81%
Benchmark	0.70%	1.44%	2.86%	3.48%
Outperformance	(3.32%)	(3.89%)	4.48%	3.33%

Source of Benchmark: Bloomberg

Figure 1: Movement of the Fund versus the Benchmark



"This information is prepared by AHAM Asset Management Berhad (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: 12-month fixed deposit rate quoted by Maybank

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:

	31 October 2023
	(%)
Fixed Income	92.41
Cash & money market	7.59
Total	100.00

Strategies Employed

The fundamental investment process is driven by considering the interest rate outlook for the market over the medium to long-term horizon. This entails studying relevant economic and business statistics in order to produce forecasts of interest rate trends, enabling the decision on the maturity structure for the bonds.

Market Review

Market volatility continue to persist and affect economies globally as macro events and policy rate hikes affected stock and bond markets. The economic fallout from the Covid-19 pandemic alongside with the Russia-Ukraine conflict has disrupted supply chains and commodity markets, weighing heavily on global economic growth. Central banks continue to attempt rein in inflation contributed by supply-demand imbalances and volatility in energy prices among other factors through monetary policy, which inadvertently played a role in destabilising the banking sector March this year.

The US Federal Reserve ("Fed") raised their policy rates in monetary policy committee meetings since March of 2022, to of 5.50% in July 2023. Although, at time of writing, holding interest rates at the most recent October/November 2023 Federal Open Market Committee Meeting ("FOMC"). Fed Chair Jerome Powell said that the committee was still "determining the extent of additional policy firming" it would need to bring down inflation sustainably. The sharp pace of policy tightening over the past months raised concerns in the financial markets of an over-tightening that could lead to a growth slowdown, or even a potential recession. Further signs of tension in the economy were also visible in March this year as the fallout of Silicon Valley Bank and the emergency rescue of Credit Suisse triggered concerns of contagion to other vulnerable banks.

In addition to fractures in the banking sector, other notable events included the concern over the US approaching its debt ceiling in January, failing which to reach a consensus to suspend or raise the limit could result in a catastrophic default. However, investors heaved a sigh of relief after lawmakers passed a bill to raise the debt ceiling, in a deal that included concessions on spending expected to have limited effect on economic growth. Despite narrowly avoiding a default, the U.S did not escape unscathed as Fitch Ratings downgraded its rating on U.S. debt, quoting in a press release "The repeated debt-limit political standoffs and last-minute resolutions have eroded confidence in fiscal management,".

US equities was volatile throughout 2023. The financial sector disruption troubled markets in the first quarter of 2023, however this was corrected by the second quarter of the year as the market saw gains which was mostly driven by fervour and enthusiasm over new developments in artificial intelligence ("AI"). However, after the strong gains, markets took a tumble by October this year as interest rate jitters coupled with the widening conflict between Israel and Hamas gave rise to fear and uneasiness. Investors entered the second half of 2023 optimistic that the era of policy tightening rates would be over soon. This enthusiasm however withered over August and September as the possibility of higher rates for a sustained period sank in.

On other news, new data in October pointed towards strong economic momentum in the US. Retail sales rose 0.70%, defying consensus expectations that spending would slow due to the resumption of student loan repayments and tighter monetary conditions. Additionally, US third quarter 2023 GDP increased 4.90% above consensus estimates of 4.00% supported by strong consumption. Similarly, purchasing managers' index (PMI) indicators displayed similar strength pointing to a reacceleration in economic activity.

In Asia, despite starting off 2023 strong, Chinese equity trended downwards following the country's reopening after the pandemic started to cool before lifting in July, driven by stimulus optimism in China, evident as the MSCI China Index vaulted 9.30% in July as top party leaders unveiled measures at its Politburo meeting to reinvigorate growth in the country. Among the measures include a pledge by Beijing to provide stimulus support for its beleaguered property sector. Top party leaders also emphasised the need for measures to tackle youth unemployment as well as accelerate the issuance of local government special bonds to spur government investment. While there were no explicit announcements of blockbuster stimulus, the overall policy tone from the Politburo meeting did exceed expectations. There was an acknowledgement of pressing issues on-the-ground that could result in targeted easing measures to bolster growth and lift sentiment. Bright spots were seen in China's economy as newly released GDP data came in stronger than expected. In the third quarter of 2023, China's GDP grew by 4.90% as the volley of stimulus measures start to take effect. Retail sales and industrial production data also surpassed forecasts, instilling further confidence that its economy has bottomed out, boosting optimism that recovery in the world's second-largest economy is starting to gain traction.

Back in Malaysia, several policy announcements by the government caught the attention of investors. These positive sentiments lifted foreign investors' confidence as they poured into local equities. These included the Ekonomi Madani Plan which outlined several key economic targets, Part 1 of the National Energy Transition Roadmap which intends to achieve 70% renewable energy capacity mix by 2050 and Part 2 of the National Energy Transition Roadmap as well as the New Industrial Masterplan. There was also greater political clarity following the conclusion of state elections. As widely expected, the Pakatan Harapan-Barisan Nasional coalition retained Selangor, Penang and Negeri Sembilan, while Perikatan Nasional held on to their strongholds in Kedah, Kelantan and Terengganu. The recent by-elections for the Pulai parliamentary seat and Simpang Jeram state seat in Johor concluded with the Pakatan Harapan-Barisan Nasional (PH-BN) coalition defending both seats.

The unveiling of Budget 2024 in October this year also helped shed light on the government's policies and helped lay down the groundwork for the government's path to fiscal consolidation. According to the Budget, the government aims to narrow the fiscal deficit from 5.0% to 4.3% in 2024 in line with its broader policy objective to bring it down to 3.10% by 2026. Key measures announced to broaden the government's revenue include the increase of Sales and Service tax ("SST") from 6% to 8% as well as the introduction of a 10%

capital gains tax for unlisted shares. To further bolster revenue, a luxury goods tax will also be applied to high-value items including jewellery and watches based on predefined thresholds.

On fixed income, the series of recent economic data releases mentioned were supportive of the US economic outlook but disappointed fixed income investors as markets came to terms with the Fed's 'higher for longer' narrative. On the fiscal front, the US debt funding programme fell under the spotlight as concerns on US Treasuries supply glut intensified. In absence of an anchor from monetary policy and expectations of a demand-supply imbalance, 10-year US Treasury yield inched higher to test its high several times during October but kept in check by the 5% handle. As a result, US Treasury yield curve bear steepened, with 2-year, 10-year and 30-year Treasury ending the month at 5.09% (+4 basis points) ("bps"), 4.93% (+36 bps), and 5.09% (+39 bps) respectively.

Domestically, market reaction towards tabling of Budget 2024 mid-October were muted, as headline numbers were mainly in line of market expectations, with a fiscal consolidation path towards the government's medium target of 3% fiscal deficit-to-GDP ratio, from 2023 estimate of 5.0% and 2024 estimate of 4.3%. A well telegraphed subsidy rationalisation (for chicken, eggs, diesel, and electricity) ahead of Budget 2024 kept the lid on inflation expectations.

Investment Outlook

US inflation has eased amid aggressive monetary tightening but remained well above Federal Reserve's 2% target. Resiliency in the US economy has afforded the Federal Reserve to maintain current policy rate of 5.25-5.50% for 'longer', with the option to go 'higher' if necessary as Fed Chair Powell made clear during his press conference that the economy has proven to be stronger than expected as a result of strong consumer spending. The FOMC's economic projections now show the median expectation for GDP growth for 2023 at 2.1% (previously 1.1%) and next year at 1.5% (previously 1.0%). The unemployment rate is projected to be lower at the end of next year as a consequence, from previous expectation of 4.5% to the revised rate of 4.1%.

Domestically, moderating growth and subdued inflation continued to support the fixed income market, while external pressure in the form of widening interest differential and ensuing Ringgit weakness kept short-end rates elevated. Persistent demand from domestic investors were unabated by the flatness in MGS yield curve and have continued to keep long-tenured bond yields anchored during choppy sessions.

AHAM MALAYSIA GOVERNMENT BOND FUND
(FORMERLY KNOWN AS AFFIN HWANG MALAYSIA GOVERNMENT BOND FUND)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2023

	Financial Period ended 31.10.2023 RM	Financial period ended 31.10.2022 RM
INVESTMENT LOSS		
Interest income from financial asset at At amortised cost	89,142	161,696
Interest income from financial asset at fair value through profit or loss	1,268,265	91,676
Net loss on financial assets fair value through profit or loss	(1,443,326)	(408,986)
	(85,919)	(155,614)
EXPENSES		
Management fee	(65,457)	(17,554)
Trustee fee	(9,779)	(2,761)
Fund accounting fee	(10,000)	(1,355)
Auditors' remuneration	(5,982)	(1,918)
Tax agent's fee	(2,617)	(839)
Other expenses	(1,211)	(197)
	(94,046)	(24,624)
NET LOSS BEFORE TAXATION	(179,965)	(180,238)
Taxation	-	-
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD	(179,965)	(180,238)
Net loss after taxation is made up of the following:		
Realised amount	1,498,120	231,022
Unrealised amount	(1,678,085)	(411,260)
	(179,965)	(180,238)

AHAM MALAYSIA GOVERNMENT BOND FUND
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UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023

	2023 RM	2022 RM
ASSETS		
Cash and cash equivalents	2,907,542	25,051,467
Amount due from Manager		
- creation of units	-	999,874
Financial assets at fair value through profit or loss	42,469,603	12,052,501
TOTAL ASSETS	45,377,145	38,103,842
LIABILITIES		
Amount due to Manager		
- cancellation of units	7,697	6,316
Amount due to Trustee	1,155	947
Fund accounting fee	1,000	-
Auditors' remuneration	5,982	1,918
Tax agent's fee	6,118	839
Other payables and accruals	482	(220)
TOTAL LIABLITIES	22,434	9,800
NET ASSET VALUE OF THE FUND	45,354,711	38,094,042
EQUITY		
Unitholders' capital	43,042,689	38,274,280
Retained earnings/(accumulated losses)	2,312,022	(180,238)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	45,354,711	38,094,042
NUMBER OF UNITS IN CIRCULATION	42,590,000	38,282,000
NET ASSET VALUE PER UNIT (RM)	1.0649	0.9951

AHAM MALAYSIA GOVERNMENT BOND FUND
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UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2023

	Unitholders' capital RM	Retained Earnings/ (accumulated losses) RM	Total RM
Balance as at 1 February 2023	36,369,210	2,628,690	38,997,900
Total comprehensive loss for the financial period	-	(179,965)	(179,965)
Distributions	-	(136,703)	(136,703)
Movement in unitholders' capital:			
Creation of units arising from applications	12,632,597	-	12,632,597
Creation of units arising from distributions	45,633	-	45,633
Cancellation of units	(6,004,751)	-	(6,004,751)
Balance as at 31 October 2023	43,042,689	2,312,022	45,354,711
Balance as at 21 July 2022 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(180,238)	(180,238)
Movement in unitholders' capital:			
Creation of units arising from applications	38,710,031	-	38,710,031
Cancellation of units	(435,751)	-	(435,751)
Balance as at 31 October 2022	38,274,280	(180,238)	38,094,042

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