

QUARTERLY REPORT

31 December 2023

**AHAM Absolute
Return Fund III**
(formerly known as
Affin Hwang Absolute
Return Fund III)

MANAGER
AHAM Asset Management Berhad
99701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad
(200301008392 [610812-W])

AHAM ABSOLUTE RETURN FUND III (FORMERLY KNOWN AS AFFIN HWANG ABSOLUTE RETURN FUND III)

Quarterly Report and Financial Statements
As at 31 December 2023

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Absolute Return Fund III (formerly known as Affin Hwang Absolute Return Fund III)
Fund Type	Growth
Fund Category	Mixed Assets (Wholesale)
Investment Objective	The Fund seeks to provide Unit Holders with long-term capital appreciation
Benchmark	8.0% per annum
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate

FUND PERFORMANCE DATA

Category	As at 31 Dec 2023	As at 30 Sep 2023
Total NAV (RM'million)	63.107	69.010
NAV per Unit (RM)	0.6482	0.6414
Unit in Circulation (million)	97.354	107.585

Income Distribution Breakdown

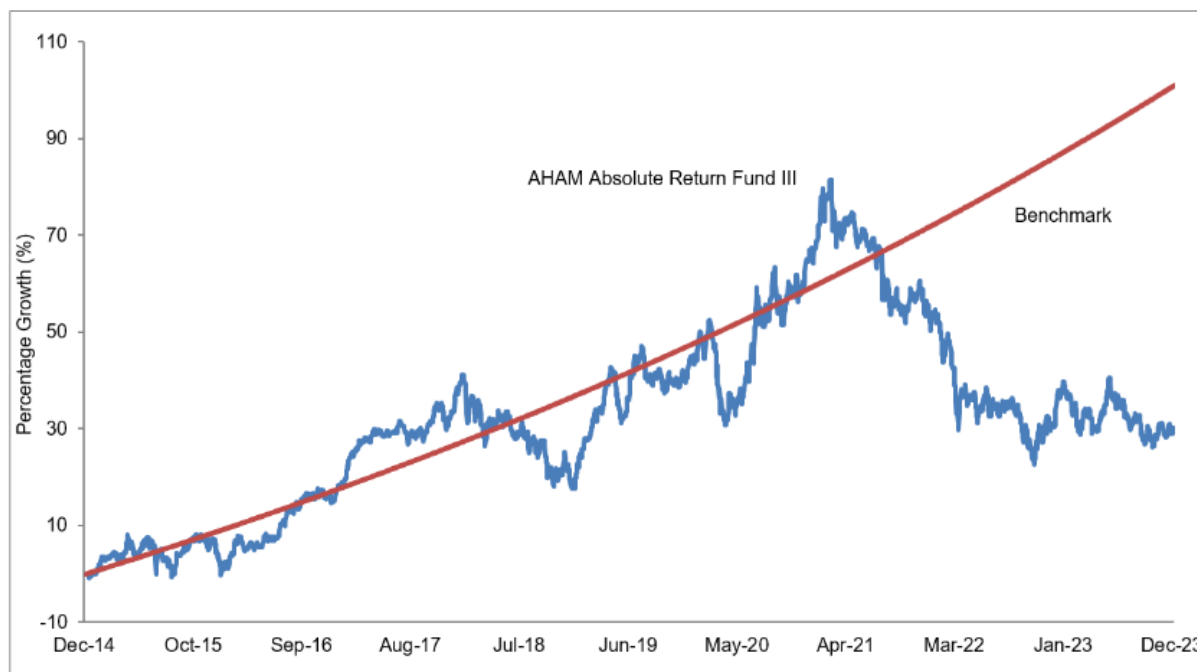
No income distribution was declared over the financial period under review.

Fund Performance

Performance as at 31 December 2023

	3 Months (1/10/23 - 31/12/23)	6 Months (1/7/23 - 31/12/23)	1 Year (1/1/23 - 31/12/23)	3 Years (1/1/21 - 31/12/23)	5 Years (1/1/19 - 31/12/23)	Since Commencement (9/12/14 - 31/12/23)
Fund	1.06%	(4.44%)	(0.52%)	(22.58%)	9.07%	29.64%
Benchmark	1.96%	3.96%	8.00%	25.97%	46.96%	100.96%
Outperformance	(0.90%)	(8.39%)	(8.52%)	(48.55%)	(37.89%)	(71.32%)

Movement of the Fund versus the Benchmark



"This information is prepared by AHAM 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."
 Benchmark: 8.0% per annum

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 December 2023</u>
	(%)
Equity	74.24
Unit Trust	15.69
Derivative	0.23
Cash & money market	9.84
Total	<u>100.00</u>

Strategies Employed

The Fund maintains its objective of adopting a tactical asset allocation with the flexibility in investing up to 100% of its NAV in equities, fixed income instruments, collective investment schemes and money market instruments.

Market Review

In October 2023, US equities faced downward pressure amid concerns over rising interest rates and escalating tensions between Israel and Hamas. The S&P 500 fell by 2.20% as investors anticipated prolonged higher interest rates by the US Federal Reserve (Fed). Despite this, robust economic indicators, including a 0.70% increase in retail sales and a 4.90% GDP growth in the third quarter, provided some support.

The Fed's decision to leave interest rates unchanged for the second consecutive time underscored concerns about tightening financial conditions. This led to a rise in bond yields, with the US 10-Year Treasury yield briefly

exceeding 5%. Gold prices surged by 7.33% due to geopolitical tensions, while oil prices remained stable despite the Middle East conflict.

In Asia, the MSCI Asia ex Japan index declined by 3.91%, influenced by rising bond yields and US restrictions on advanced artificial intelligence (AI) chip sales to China. However, China's stronger-than-expected GDP growth of 4.90% in the third quarter hinted at a stabilizing economy, although further stimulus measures were awaited.

Moving to Malaysia, the KLCI rose by 1.26% following the unveiling of Budget 2024, which aimed to address the country's subsidy bill through targeted measures. The budget was deemed market-neutral, with potential sector winners identified in healthcare, construction, consumer, and renewables.

In November 2023, US equities rebounded strongly, with the S&P 500 surging by 8.90%, driven by signs of moderating economic growth and easing inflation pressures. Fed Chair Jerome Powell struck a dovish tone, suggesting that the Fed may have reached the peak of its tightening cycle. This sentiment, coupled with declining inflation and producer prices, led to a significant drop in Treasury yields.

Asia's equity markets rallied, supported by lower bond yields and positive developments in US-China relations. China announced additional stimulus measures to boost its property sector, while Malaysia's KLCI gained by 0.70% amid sustained foreign investor interest and policy announcements related to visa-free travel and manufacturing licenses.

December 2023 marked a positive end to the year for US equities, as the S&P 500 rose by 2.80%, fueled by growing expectations of a pause in the Fed's rate-hike cycle. Fed Chair Powell reiterated a dovish outlook on rates, indicating optimism about contained inflationary pressures. Treasury yields retreated further on bets of aggressive rate cuts in 2024.

In Asia, markets remained buoyant, with Taiwan and Korea leading gains. China's economic data presented mixed signals, emphasizing the need for policy support, particularly in the property sector. Malaysia's KLCI held steady, supported by a Cabinet reshuffle and favorable inflation data.

Overall, the quarter saw volatility and shifting sentiment in global and regional markets over the three-month period, influenced by various economic indicators, geopolitical tensions, and central bank policies.

Investment Outlook

U.S. economy outlook continue to evolve with latest round of weaker economic data. Concerns over inflation has subsided although still above Fed's 2% target. Market pricing for US Fed Fund Rates has shifted lower. Nonetheless, expectation of a modest and slow decline in GDP growth has resulted in the Fed reiterating the 'higher for longer' narrative. We believe that aggressive policy rate hikes could be behind us and with developed markets approaching peak cycle, risk appetite should return to the emerging market space.

Domestically, moderating growth and subdued inflation continued to be supportive of the fixed income market, while external pressure in the form of widening interest differential and ensuing Ringgit weakness could keep short-end rates elevated. Persistent demand from domestic investors should continue to keep market well bid. Nonetheless, we are mindful of potential liquidity withdrawal as we approach year-end.

We prefer belly to long tenor government bonds and continue to selectively participate in primary corporate bond/sukuk issuances for yield pick-up, subject to levels. We target a neutral to slightly long portfolio duration positioning.

On equities, we believe that return of foreign fund flows could continue to drive market performance and decent earnings growth to be supported by majority of the sectors. Our focus will be on attractive dividend yields in generating income as well as properties as sales momentum in the sector picks up.

AHAM ABSOLUTE RETURN FUND III
(FORMERLY KNOWN AS AFFIN HWANG ABSOLUTE RETURN FUND III)

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

	Financial period ended <u>31.12.2023</u> RM	Financial period ended <u>31.12.2022</u> RM
INVESTMENT LOSS		
Dividend income	390,086	584,540
Interest income from financial asset at amortised cost	14,386	1,681
Interest income from financial assets at fair value through profit or loss	-	14,678
Net (loss)/gain on foreign currency exchange	(270,972)	401,799
Net gain on forward foreign currency contracts at fair value through profit or loss	-	58,280
Net loss on financial assets at fair value through profit or loss	(2,838,730)	(3,657,559)
	<u>(2,705,230)</u>	<u>(2,596,581)</u>
EXPENSES		
Management fee	(355,741)	(437,950)
Trustee fee	(19,587)	(24,099)
Fund accounting fee	(6,000)	(6,000)
Auditors' remuneration	(4,638)	(4,718)
Tax agent's fee	(6,732)	(1,310)
Transaction costs	(163,689)	(108,100)
Other expenses	(62,628)	(46,918)
	<u>(619,015)</u>	<u>(629,095)</u>
NET LOSS BEFORE TAXATION	(3,324,245)	(3,225,676)
Taxation	(101,945)	(101,264)
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD	<u>(3,426,190)</u>	<u>(3,326,940)</u>
Net loss after taxation is made up of the following:		
Realised amount	(3,854,733)	(2,057,768)
Unrealised amount	428,543	(1,269,172)
	<u>(3,426,190)</u>	<u>(3,326,940)</u>

AHAM ABSOLUTE RETURN FUND III
(FORMERLY KNOWN AS AFFIN HWANG ABSOLUTE RETURN FUND III)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<u>2023</u> RM	<u>2022</u> RM
ASSETS		
Cash and cash equivalents	6,467,547	7,728,294
Amount due from brokers	13,970	-
Amount due to from Manager		
- management fee rebate receivable	7,622	8,706
Dividend receivable	42,835	28,522
Financial assets at fair value through profit or loss	56,899,843	75,455,956
Forward foreign currency contracts at fair value through profit and loss	-	58,280
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TOTAL ASSETS	63,431,817	83,279,758
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LIABILITIES		
Amount due to Manager		
- management fee	54,493	71,041
- cancellation of units	183,842	424,515
Amount due to Trustee	2,997	3,907
Fund accounting fee	1,000	-
Auditors' remuneration	4,639	4,718
Tax agent's fee	5,319	5,826
Tax provision	60,735	104,827
Other payables and accruals	11,922	12,115
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TOTAL LIABILITIES	324,947	626,949
	<hr/>	<hr/>
NET ASSET VALUE OF THE FUND	63,106,870	82,652,809
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EQUITY		
Unitholders' capital	52,480,492	71,922,916
Retained earnings	10,626,378	10,729,893
	<hr/>	<hr/>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	63,106,870	82,652,809
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NUMBER OF UNITS IN CIRCULATION	97,354,000	126,846,000
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NET ASSET VALUE PER UNIT (RM)	0.6482	0.6516
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AHAM ABSOLUTE RETURN FUND III
(FORMERLY KNOWN AS AFFIN HWANG ABSOLUTE RETURN FUND III)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 July 2023	64,974,275	14,052,568	79,026,843
Total comprehensive loss for the financial period	-	(3,426,190)	(3,426,190)
Movement in unitholders' capital:			
Cancellation of units	(12,493,783)		(12,493,783)
Balance as at 31 December 2023	<u>52,480,492</u>	<u>10,626,378</u>	<u>63,106,870</u>
Balance as at 1 July 2022	81,610,793	14,056,833	95,667,626
Total comprehensive loss for the financial period	-	(3,326,940)	(3,326,940)
Movement in unitholders' capital:			
Creation of units arising from applications	50,042		50,042
Cancellation of units	(9,737,919)	-	(9,737,919)
Balance as at 31 December 2022	<u>71,922,916</u>	<u>10,729,893</u>	<u>82,652,809</u>

AHAM Asset Management Berhad

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