Affin Hwang
18M Enhanced Income Fund 2

Quarterly Report
30 November 2020

Out **think.** Out **perform.**

AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
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TRUSTEE
TMF Trustees Malaysia Berhad (763590-H)

AFFIN HWANG 18M ENHANCED INCOME FUND 2

Quarterly Report and Financial Statements
As at 30 November 2020

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang 18M Enhanced Income Fund 2
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income whilst maintaining capital preservation
Duration of the Fund	Eighteen (18) months
Termination Date	24 August 2021
Benchmark	12-Month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will provide distribution on the Maturity Date

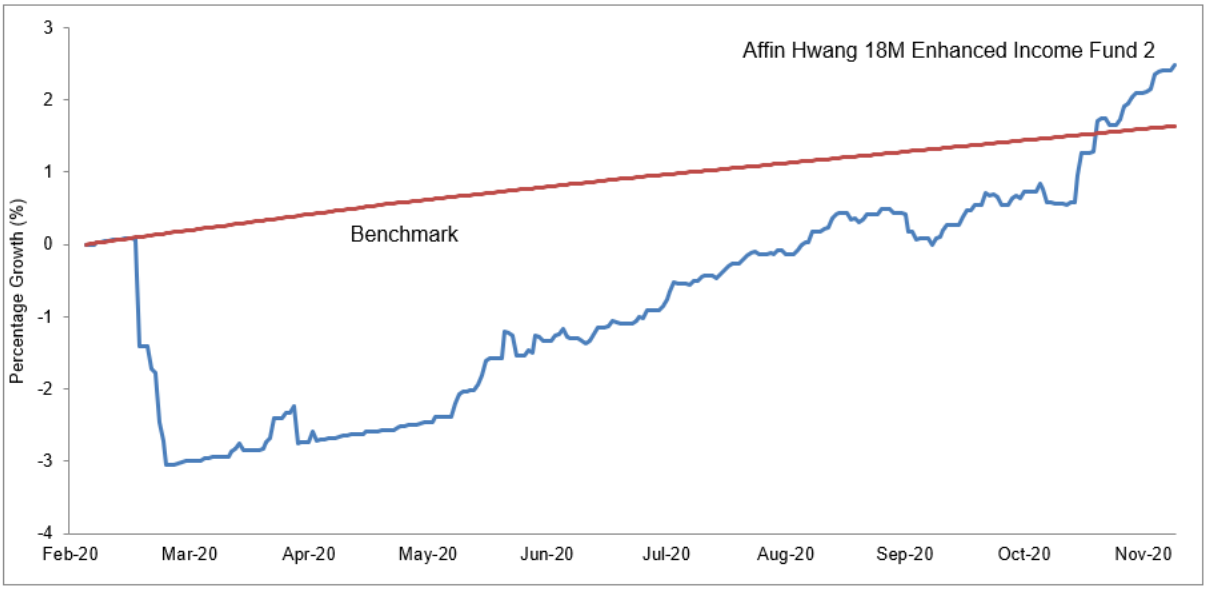
FUND PERFORMANCE DATA

Category	**As at 30 Nov 2020**	**As at 31 Aug 2020**
Total NAV (RM'million)	117.839	115.224
NAV per Unit (RM)	1.0248	1.0021
Unit in Circulation (million)	114.988	114.988

Performance as at 30 November 2020

	3 Months (1/9/20 - 30/11/20)	**6 Months (1/6/20 - 30/11/20)**	**Since Commencement (22/2/20 - 30/11/20)**
Fund	**2.27%**	**4.58%**	**2.48%**
Benchmark	**0.46%**	**0.95%**	**1.64%**
Outperformance	**1.81%**	**3.63%**	**0.84%**

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: 12-Month Malayan Banking Berhad Fixed Deposit 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 November 2020
	(%)
Structured Product	3.17
Cash & money market	96.83
Total	**100.00**

Strategies Employed

The Fund invests in structured products to get exposure into a fixed income fund and aims to provide income whilst maintaining capital preservation. The remaining of the funds are placed into deposits and money market funds.

Market Review

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing. The global equities trended lower as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month. In the US, the S&P 500 index closed 12.5% lower that month. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented relief package to cushion its economy. The relief package comes as the US also reports the greatest number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced since. By November, the S&P 500 index closed 10.8% higher from the previous month. This positive effect extended to Asia as well, with the Hang Seng Index and broader MSCI Asia ex Japan index rising 9.15% and 8.00% respective in the same period.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in “good financial standing”. Similarly, the EU proposed a European Stability Mechanism (“ESM”) which offers a credit line of up to 240 billion Euros to EU members.

Tensions between the two global powerhouses rose recently after China ordered the US to close its Chengdu-based consulate. The order followed the US closure of the Chinese consulate in Houston. On the other hand, remarks by US President Donald Trump that he will move to ban Chinese-owned video app TikTok in the US also added fuel to this fire.

On commodities, crude oil prices slid by about 40% YTD as at end of October, after oil prices rebounded in June following a move by Organization of the Petroleum Exporting Countries (“OPEC”) and its oil-producing allies to extend the group’s historic production cut.

On the domestic front, the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

Malaysia's economy posted a smaller contraction of 2.7 per cent in the third quarter (3Q) of 2020, surpassing consensus estimate of -4.6 per cent, as well as the Gross Domestic Product (GDP) contraction of 17.1 per cent in 2Q, supported by improvements in all sectors.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises (“SMEs”) and RM2 billion to strengthen the country’s economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10billion package to help SMEs cope during the pandemic.

Malaysia Budget 2021 was announced in November, with an allocated RM 322.5 billion expenditure, with 26.5% of it coming from borrowings and use of government assets. 5.3% of this budget has been devoted to the Covid-19 fund. Targeted measures by this budget include extension of the Principal Hub incentive to Dec 2022, reduction of individual EPF contribution and review of income tax exemption on Green Sustainable and Responsible Investment Sukuk grant.

The Malaysia bond market saw foreign holdings increase by RM 2.7 billion in November making up 13.6% of total bonds outstanding, its highest since January 2020. Though foreign demand seems to be positive, overall yields still grew as selling concentrated on the lower end of the curve, as yields for the 15-year and 20-year MGS edged up 28 bps and 18 bps in the last week of November.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers’ confidence return following the low death rates despite the rise in infections. With most markets recovering the year's losses by November, coincided with the release of Phase III clinical trial data for the vaccines, there is certainly light at the end of the tunnel for global markets.

Markets will be playing a "recovery theme" from December onwards and into 2021. Current estimates suggest global GDP to fall around 5% at the end of 2020, with an expected rebound of 5.4% in 2021 with the reopening of economies and growth returns. But as vaccines take time to produce even at current maximum production levels, we should expect this "recovery theme" to be a multi-year theme.

The worldwide Covid-19 death toll has since breached the 1 million mark, with US cases remaining stable at a high rate and Europe battling new waves. The shift in infections to younger age groups and more effective treatments however ensured Europe's continuous recovery despite the increasing infection rates. It is also more exposed to global trade than US, thus will benefit from the rebound in Chinese demand. Europe's exposure to financials, cyclical sectors such as energy and industrials, will potentially outperform in the second phase of recovery when economy continues to pick up as yield curve steepens. US dollar should weaken as economy recovers globally given its counter-cyclical behaviour, with more economically sensitive currencies appreciating instead, including euro and British sterling that are undervalued. However, British sterling faces higher volatility due to Brexit negotiations.

US-China trade tensions are likely to remain in the short-term. A Biden presidency could potentially uplift geopolitical risk with a steadier hand at the helm. Consistency in policy implementation is key alongside clarity on the nature of the two countries' relationship with each other. A Biden win will set the stage for a post-election rally as investors warm to the idea. However, the issue of a divided Congress remains, with markets expecting a Republican-majority in control of the Senate.

In Malaysia, recent alarming increase in Covid-19 cases caused targeted lockdowns across the country, potentially delaying economic recovery although remaining positive on a full rebound by 2021. From a bottom-up perspective, markets are still focused on more export-oriented industries i.e. gloves, electromotive force and technology stocks. Politics pose as minor distraction seeing how the peak of political risk has passed after Sabah election results were released. However, the risk to policy continuity caused by uncertainty of a majority win could lead to potential loss on FDI opportunities to other emerging market countries.

Inflows into global equity funds surge past US$100 billion in the last 3 weeks of November as investors continue to pile into equities with markets turning risk-on. Buoyed by a "Goldilocks" environment with a favourable US election outcome, low interest rates and positive developments on the vaccine front, we could see additional support for risk assets.

Earnings momentum is expected to continue into 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has creeped up above historical averages.

AFFIN HWANG 18M ENHANCED INCOME FUND 2

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2020

	Financial period ended 30.11.2020 RM
INVESTMENT INCOME	
Interest income from financial assets at amortised cost	2,877,506
Net loss on foreign currency exchange	(48,045)
Net gain on financial assets at fair value through profit or loss	60,375
	2,889,836
EXPENSES	
Trustee fee	(17,866)
Fund accounting fee	(8,000)
Auditors' remuneration	(7,573)
Tax agent's fee	(3,029)
Other expenses	(2,212)
	(38,680)
NET PROFIT BEFORE TAXATION	2,851,156
Taxation	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	2,851,156
Net profit after taxation is made up of the following:	
Realised amount	2,887,312
Unrealised amount	(36,156)
	2,851,156

AFFIN HWANG 18M ENHANCED INCOME FUND 2

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020

	2020 RM
ASSETS	
Cash and cash equivalent	114,116,288
Financial asset at fair value through profit or loss	3,736,907
TOTAL ASSETS	117,853,195
LIABILITIES	
Amount due to Trustee	1,922
Auditors' remuneration	7,573
Tax agent's fee	3,029
Other payables and accruals	1,515
TOTAL LIABILITIES	14,039
NET ASSET VALUE OF THE FUND	117,839,156
EQUITY	
Unitholders' capital	114,988,000
Retained earnings	2,851,156
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	117,839,156
NUMBER OF UNITS IN CIRCULATION	114,988,000
NET ASSET VALUE PER UNIT (RM)	1.0248

AFFIN HWANG 18M ENHANCED INCOME FUND 2

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2020

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 20 January 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	2,851,156	2,851,156
Movement in unitholders' capital:			
Creation of units arising from applications	114,988,000	-	114,988,000
Balance as at 30 November 2020	114,988,000	2,851,156	117,839,156

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