Affin Hwang
Strategic Opportunity Fund 1

Quarterly Report
30 November 2021

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

AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (763590-H)

AFFIN HWANG STRATEGIC OPPORTUNITY FUND 1

Quarterly Report and Financial Statements
As at 30 November 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Strategic Opportunity Fund 1
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income return whilst seek to repay the capital raised at maturity
Duration of the Fund	Two (2) years
Termination Date	25 February 2022
Benchmark	2-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution at the end of the maturity

FUND PERFORMANCE DATA

Category	**As at 30 Nov 2021**	**As at 31 Aug 2021**
Total NAV (RM'million)	37.935	37.635
NAV per Unit (RM)	1.0941	1.0854
Unit in Circulation (million)	34.674	34.674

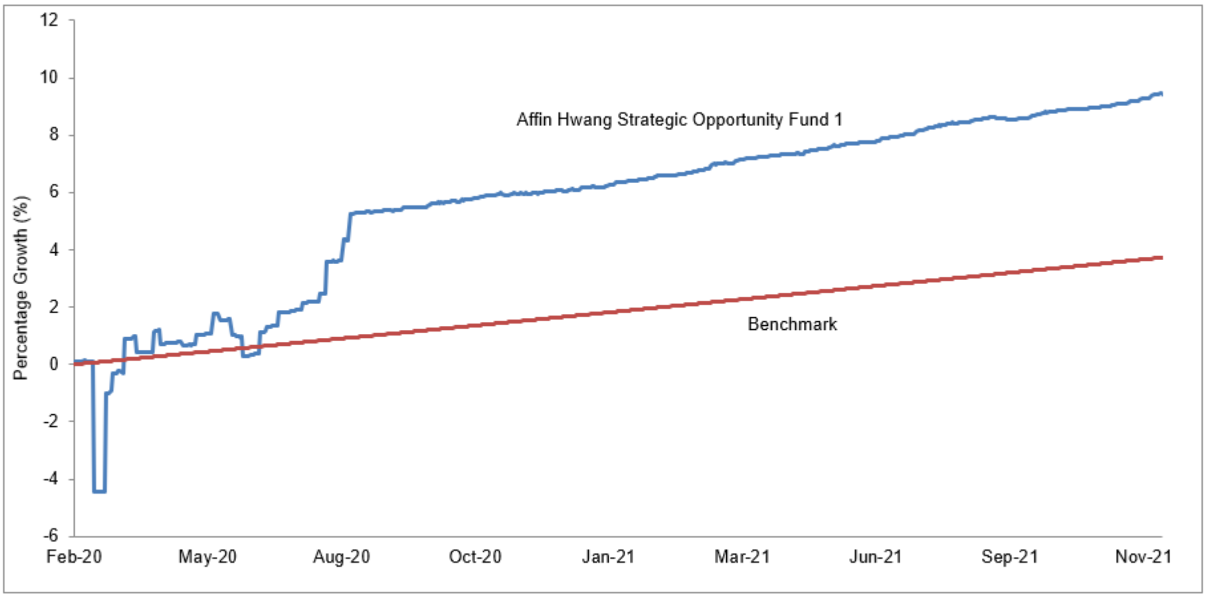
Fund Performance

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	**6 Months (1/6/21 - 30/11/21)**	**1 Year (1/12/20 - 30/11/21)**	**Since Commencement (27/2/20 - 30/11/21)**
Fund	**0.80%**	**1.60%**	**3.20%**	**9.41%**
Benchmark	**0.52%**	**1.05%**	**2.10%**	**3.73%**
Outperformance	**0.28%**	**0.55%**	**1.10%**	**5.68%**

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: 2-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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 2021
	(%)
Structured Product	7.80
Cash & money market	92.20
Total	**100.00**

Strategies Employed

We invest in money market instruments and deposits as defensive assets, and structured product as active assets and will remain so until the maturity of the Fund.

Market Review

Global equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitionary and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The appointment provided some clarity by resolving the political impasse following the resignation of Tan Sri Muhyiddin Yassin who faced a turbulent tenure due to the mishandling of the pandemic as well as a rare royal rebuke.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market could now see support on the back of easing policy headwinds as investors also price-in better growth prospects.

Looking ahead, we are maintaining a cautious stance on the back of headwinds arising from persistent inflation and higher interest rates which could pressure risk assets. Potential inflection points for the market to turnaround include declining inflation that could herald a shift in the US Federal Reserve's tightening bias. Any additional stimulus measures from China would also be supportive of risk-assets.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.
While we don't expect a rout for markets like during early-2020 at the height of the pandemic or 2008-GFC, some form of correction is anticipated. In fact, Asian stock markets have already started to consolidate.

Our base-case if that Inflationary pressures should recede on the back of easing supply bottlenecks and lower commodity prices. Port congestions are starting to ease and commodity prices have rolled over. Input prices will come down if this trend continues, though there will be some lag effect.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

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.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and a less hawkish Fed policy as potential turnarounds for the market to improve. Asian markets could also see stronger support on the back of policy easing by China.

AFFIN HWANG STRATEGIC OPPORTUNITY FUND 1

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2021

	Financial period ended 30.11.2021 RM
INVESTMENT INCOME	
Interest income from financial assets at amortised cost	1,107,175
Net gain on foreign currency exchange	10
Net gain on financial assets at fair value through profit or loss	105,931
	1,213,116
EXPENSES	
Trustee fee	(7,469)
Fund accounting fee	(14,516)
Auditors' remuneration	(8,041)
Tax agent's fee	(2,814)
Other expenses	(4,639)
	(37,479)
NET PROFIT BEFORE TAXATION	1,175,637
Taxation	63
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	1,175,700
Net profit after taxation is made up of the following:	
Realised amount	1,069,759
Unrealised amount	105,941
	1,175,700

AFFIN HWANG STRATEGIC OPPORTUNITY FUND 1

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2021

	2021
	RM
ASSETS	
Cash and cash equivalents	35,001,082
Financial assets at fair value through profit or loss	2,958,778
Tax recoverable	6,622
TOTAL ASSETS	37,966,482
LIABILITIES	
Amount due to Manager	
- management fee	2,168
Amount due to Trustee	2,523
Auditors' remuneration	8,041
Tax agent's fee	6,314
Other payables and accruals	12,027
TOTAL LIABILITIES	31,073
NET ASSET VALUE OF THE FUND	37,935,409
EQUITY	
Unitholders' capital	34,671,217
Retained earnings	3,264,192
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	37,935,409
NUMBER OF UNITS IN CIRCULATION	34,674,000
NET ASSET VALUE PER UNIT (RM)	1.0941

AFFIN HWANG STRATEGIC OPPORTUNITY FUND 1

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2021

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 December 2020	34,671,217	2,088,492	36,759,709
Total comprehensive income for the financial period	-	1,175,700	1,175,700
Balance as at 30 November 2021	34,671,217	3,264,192	37,935,409

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