



QUARTERLY REPORT
30 November 2024

AHAM Flexible Maturity Income Fund 18

MANAGER
AHAM Asset Management Berhad
199701014290 (429786-T)

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

Built On Trust

aham.com.my

AHAM FLEXIBLE MATURITY INCOME FUND 18

Quarterly Report and Financial Statements As at 30 November 2024

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

QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Flexible Maturity Income Fund 18
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments.
Duration of the Fund	Five (5) years
Termination Date	16 June 2025
Benchmark	5-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 on an annual basis.

FUND PERFORMANCE DATA

Category	As at 30 Nov 2024	As at 31 Aug 2024
Total NAV (RM'million)	173.439	174.390
NAV per Unit (RM)	0.7868	0.7793
Unit in Circulation (million)	220.437	223.776

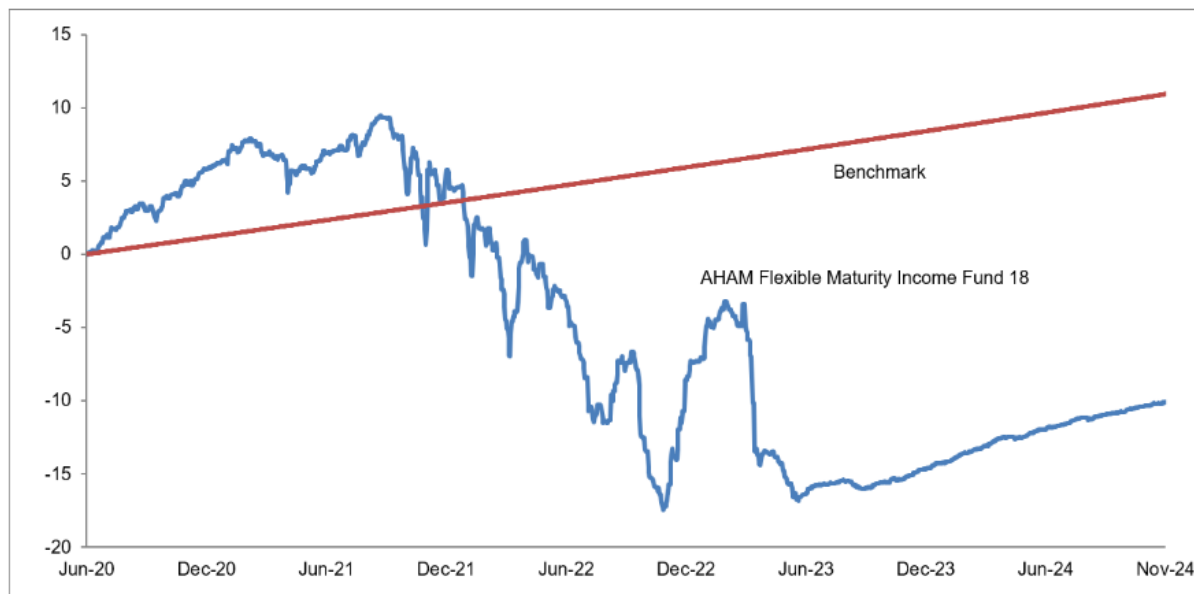
Fund Performance

Performance as at 30 November 2024

	3 Months (1/9/24 - 30/11/24)	6 Months (1/6/24 - 30/11/24)	1 Year (1/12/23 - 30/11/24)	3 Years (1/12/21 - 30/11/24)	Since Commencement (16/6/20 - 30/11/24)
Fund	0.98%	2.11%	5.35%	(13.54%)	(10.07%)
Benchmark	0.58%	1.17%	2.36%	7.22%	10.92%
Outperformance	0.40%	0.94%	2.99%	(20.76%)	(20.99%)

Source of Benchmark: Bloomberg

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. Source of Benchmark is from Bloomberg."
Benchmark: 5-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:

	<u>30 November 2024</u>
	(%)
Fixed Income	93.30
Derivative	0.98
Cash & money market	5.72
Total	<u>100.00</u>

Strategies Employed

The Flexible Maturity Income Fund series have historically employed a more passive buy and hold to maturity strategy. The Manager would invest in a portfolio of bonds with maturities that closely match the respective funds and monitor the credit fundamentals of these issuers throughout the life of the funds. However, given the heightened volatility and unprecedented rate hikes, the Manager has taken a more active style of investing, including progressively rebalancing the portfolios and focus on trading in new and existing issuances to improve the return potential.

Over the quarter under review, the Manager has continued to overweight Investment Grade (IG) bonds for the Fund. By favouring IG assets over High Yield (HY) instruments, it aligns the portfolio with a more conservative risk profile. The Manager have also prudently rebalanced the portfolio duration of the Fund to mitigate the impact of rising rates on the Fund's performance. The Fund's duration closely matched the Funds' maturities.

Market Review

Over the three-month period ending November 2024, the Federal Reserve began interest rate cycle after keeping interest rate at 5.5% for 14 months, bringing the Fed Fund Rate to 4.75%. The Fed's statement highlighted that labor market conditions were generally improving and inflation, while still somewhat elevated, was slowing down. The central bank indicated it would continue its quantitative tightening at the same pace, maintaining a cautious stance towards further rate adjustments. Other central banks have also adjusted their policies in response to global economic conditions. For instance, the Bank of England and European Central Bank have reduced interest rates by 50bps and 75bps, respectively. During the quarter, we saw significant movement in US Treasury yields as initial rally due to weak economic data was offset by rising term premium with expectation of Trump victory in the US Presidential race. US Treasury 10 year yield traded in a range of 3.6-4.2%.

Asia credit performance remains robust as credit spreads continue to tighten amid rising risk-free yields. Technical is supportive as well with investors looking to lock in high quality bonds as yields rise.

In Malaysia, Bank Negara Malaysia has continuously kept the Overnight Policy Rate unchanged at 3% since the last hike seen in May 2023, supported by the relatively moderate inflation and the central bank's stance to support growth. This together with strong demand for MYR denominated bonds translated to lower local bond market yields in both the government bonds and private debt securities space.

Investment Outlook

The outlook for global government bonds over the next 12 months is shaped by anticipated shifts in monetary policy and macroeconomic conditions. As central banks, particularly Fed, signal potential interest rate cuts in response to economic uncertainties, government bonds may benefit from increased demand. Lower interest rates typically lead to higher bond prices, providing opportunities for capital gains for investors holding longer-duration bonds. Furthermore, with yields on government bonds remaining relatively attractive compared to historical standards, they are likely to attract risk-averse investors seeking stability amidst market volatility. However, the pace of economic recovery and inflation dynamics will be critical factors influencing bond performance, as unexpected inflation could erode real returns.

In the Asian corporate bond market, the outlook appears cautiously optimistic, driven by a combination of high yields and improving credit conditions. With many Asian economies showing signs of resilience, corporate bonds offer attractive income streams. Investors are encouraged to focus on credit quality, as the risk of defaults remains a concern, particularly in sectors still recovering from the pandemic's impact. Additionally, the shift towards sustainable finance and ESG (Environmental, Social, and Governance) criteria is likely to create opportunities for corporate issuers that align with these values, potentially enhancing their credit profiles and attracting a broader investor base. However, geopolitical tensions and regional economic disparities may pose challenges that investors need to navigate carefully.

In terms of risks and opportunities in bond investments, several factors must be considered. Interest rate risk remains a significant concern, as rising rates can lead to declining bond prices, particularly for long-duration securities. On the positive note, we view that interest rates are more likely to be cut over the next twelve months, which will be supportive of bond prices. Inflation has moderated but the risk remains as it can erode the purchasing power of fixed income returns, making it crucial for investors to assess the real yield of their bond holdings. On the opportunity side, the current environment allows for active management strategies, where investors can capitalize on mispriced securities through diligent credit analysis and duration management. Moreover, the growing emphasis on ESG factors presents a dual opportunity to enhance returns while contributing to sustainable practices, particularly in the corporate bond space. Thus, while risks persist, the potential for attractive returns through strategic investment choices remains robust.

Closer to home, Malaysia's economy is projected to grow between 4.5% and 5.5% in 2024, supported by sectors such as construction, agriculture, manufacturing, and services, as well as improving terms of trade. At the same time, reported inflation has been benign, at 1.8% in November 2024, though there is potential upside risk related to subsidy rationalization. Overall, policy rates are expected to remain relatively stable, as Bank Negara appears to prefer a steady and accommodative policy stance. MYR-denominated bonds have seen very strong demand, supported by liquidity, which has benefited bond prices, especially in the corporate bond sector.

The Manager would like to emphasize that the final performance of the Funds upon maturity will depend on various market conditions. Throughout the Fund's remaining tenure, the Manager will continue to monitor market

dynamics closely, identify prudent investment opportunities, and implement risk management strategies aimed at achieving the best possible outcomes for investors.

State of Affairs of the Fund

Following the unprecedented and controversial decision by the Swiss Financial Market Supervisory Authority (“FINMA”) on 19 March 2023 to write-down CHF16 billion of Credit Suisse’s Additional Tier 1 (“AT1”) securities, UBS Group AG (“UBS”) announced on 12 June 2023 that it had formally completed the acquisition of Credit Suisse. The now-enlarged UBS will have a balance sheet of USD1.6 trillion. According to news during the reporting period, UBS was also looking to reduce the total combined workforce by around 30% or 25,000 employees. Credit Suisse’s total headcount was reported at around 45,000.

On 11 August 2023, UBS announced that it has ended the CHF9 billion loss protection agreement and the CHF100 billion public liquidity backstop that were initially put in place by the Swiss government back in March. This announcement followed a comprehensive assessment of Credit Suisse’s potential losses which were not as significant as earlier anticipated. Additionally, Credit Suisse has also fully repaid an emergency liquidity assistance loan of CHF50 billion obtained from the Swiss National Bank (“SNB”).

Further to this, on 31 August 2023, UBS posted its quarterly earnings results following its acquisition of Credit Suisse. It reported a quarterly profit before tax of USD29.2 billion, including a USD28.9 billion of negative goodwill from the acquisition. If excluding the negative goodwill and also integration-related expenses and acquisition costs, UBS’s adjusted profit before tax is USD1.1 billion. UBS also provided updates on the integration of Credit Suisse and financial targets by year-end 2026. Amongst the targets, UBS is aiming for USD10 billion worth of cost savings that is aimed to be achieved through the restructuring of its non-core and Credit Suisse Investment Banking segments, as well as from business synergies across its core businesses. UBS reported a Common Equity Tier 1 (“CET1”) capital ratio of 14.4% and targets a ~14% CET1 capital ratio over the medium term.

Since the announcement in March 2023, several investor groups globally have initiated legal proceedings seeking compensation as a result of the write-down. Quinn Emanuel Urquhart & Sullivan LLP (“Quinn Emanuel”) and UK-based Pallas launched separate Swiss lawsuits against FINMA over the decision. Quinn Emanuel is representing plaintiffs with \$6 billion of AT1 claims, while Pallas’s clients hold about \$2 billion of Credit Suisse AT1 securities. As of 7 June 2023, Quinn Emanuel has informed the Manager and other global AT1 bondholders that the Swiss Federal Administrative Court (“SFAC”) has effectively acknowledged receipt of the filing made by Quinn Emanuel on 18 April 2023.

As of 31 December 2024, there have been no new developments in the FINMA appeal after Quinn Emanuel’s filing to the Swiss Federal Administrative Court (“SFAC”) on 18 April 2023. Along with other appellant groups, Quinn Emanuel is still awaiting the SFAC’s delivery of UBS’s and Swiss Financial Market Supervisory Authority’s (“FINMA”) reply submissions. The legal proceedings are ongoing, and the Manager will continue to maintain close communication with Quinn Emanuel regarding the progress of the lawsuit. The Parliamentary Investigation Committee (PUK) has on 20 December 2024 presented the results of its investigation into the downfall of Credit Suisse in a press conference. Quinn Emanuel has reviewed the report and is generally positive about its contents. Quinn Emanuel is in the midst of assessing the PUK report in detail and believes that this report provides valuable insights into the final days of Credit Suisse, particularly concerning FINMA’s conduct and strategic decisions and could be used to prompt the SFAC for an update on the proceedings and to understand the reasons for the delay. Depending on the report’s details, Quinn Emanuel may also incorporate it into the written submissions before the SFAC and, if pertinent, request additional orders from the SFAC concerning the documentary evidence held by UBS and/or FINMA.

The ongoing legal fees for services rendered by Quinn Emanuel to recover the losses incurred from the write-down of the Credit Suisse AT1 bond is currently advanced by the Manager, which will be repayable to the Manager upon the successful recovery of the Credit Suisse AT1 bonds from the legal proceedings. The remaining recovery proceeds will be disbursed in proportion of the value each unit holder was entitled to as at the occurrence of the write-down of the bond.

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2024

	Financial period ended <u>30.11.2024</u> RM	Financial period ended <u>30.11.2023</u> RM
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	50,742	84,419
Interest income from financial assets at fair value through profit or loss	6,735,908	6,739,567
Net gain/(loss) on foreign currency exchange	179,502	(408,720)
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	6,668,517	(7,989,649)
Net loss on financial assets at fair value through profit or loss	(7,201,156)	(18,321,682)
	<u>6,433,513</u>	<u>(19,896,065)</u>
EXPENSES		
Management fee	(269,402)	(285,158)
Trustee fee	(53,880)	(57,032)
Fund accounting fee	(9,750)	(9,750)
Auditors' remuneration	(6,199)	(6,232)
Tax agent's fee	(2,712)	(2,728)
Other expenses	(50,818)	(41,270)
	<u>(392,761)</u>	<u>(402,170)</u>
NET PROFIT/(LOSS) BEFORE TAXATION	6,040,752	(20,298,235)
Taxation	-	(956,091)
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>6,040,752</u>	<u>(21,254,326)</u>
Net profit/(loss) after taxation is made up of the following:		
Realised amount	(3,686,363)	(35,535,841)
Unrealised amount	9,727,115	14,281,515
	<u>6,040,752</u>	<u>(21,254,326)</u>

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2024

	<u>2024</u> RM	<u>2023</u> RM
ASSETS		
Cash and cash equivalents	11,936,660	7,803,864
Amount due from dealers	1,162,732	11,190
Financial assets at fair value through profit or loss	163,910,873	179,255,807
Forward foreign currency contracts at fair value through profit or loss	1,788,635	172,917
Tax recoverable	321,910	-
TOTAL ASSETS	<u>179,120,810</u>	<u>187,243,778</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	97,059	2,278,143
Amount due to brokers	5,444,631	-
Amount due to Manager		
- management fee	28,720	30,069
- cancellation of units	76,290	-
Amount due to Trustee	5,744	6,014
Fund accounting fee	1,083	1,083
Auditors' remuneration	6,199	6,232
Tax agent's fee	6,212	6,228
Tax provision	-	839,982
Other payables and accruals	1,360	900
TOTAL LIABILITIES	<u>5,667,298</u>	<u>3,168,651</u>
NET ASSET VALUE OF THE FUND	<u>173,453,512</u>	<u>184,075,127</u>
EQUITY		
Unitholders' capital	227,289,970	239,873,278
Accumulated losses	(53,836,458)	(55,798,151)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>173,453,512</u>	<u>184,075,127</u>
NUMBER OF UNITS IN CIRCULATION	<u>223,776,000</u>	<u>236,490,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.7751</u>	<u>0.7784</u>

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2024

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 March 2024	237,865,842	(52,403,250)	185,462,592
Total comprehensive income for the financial period	-	6,040,752	6,040,752
Distribution	-	(7,473,960)	(7,473,960)
Movement in unitholders' capital:			
Cancellation of units	(10,575,872)	-	(10,575,872)
Balance as at 30 November 2024	<u>227,289,970</u>	<u>(53,836,458)</u>	<u>173,453,512</u>
Balance as at 1 March 2023	246,990,927	(29,927,794)	217,063,133
Total comprehensive loss for the financial period	-	(21,254,326)	(21,254,326)
Distribution	-	(4,616,031)	(4,616,031)
Movement in unitholders' capital:			
Cancellation of units	(7,117,649)	-	(7,117,649)
Balance as at 30 November 2023	<u>239,873,278</u>	<u>(55,798,151)</u>	<u>184,075,127</u>

AHAM 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

aham.com.my