

Affin Hwang

Flexible Maturity Income Fund 16

Quarterly Report
31 May 2020

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
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TRUSTEE
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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

Quarterly Report and Financial Statements As at 31 May 2020

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 16
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	7 November 2024
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

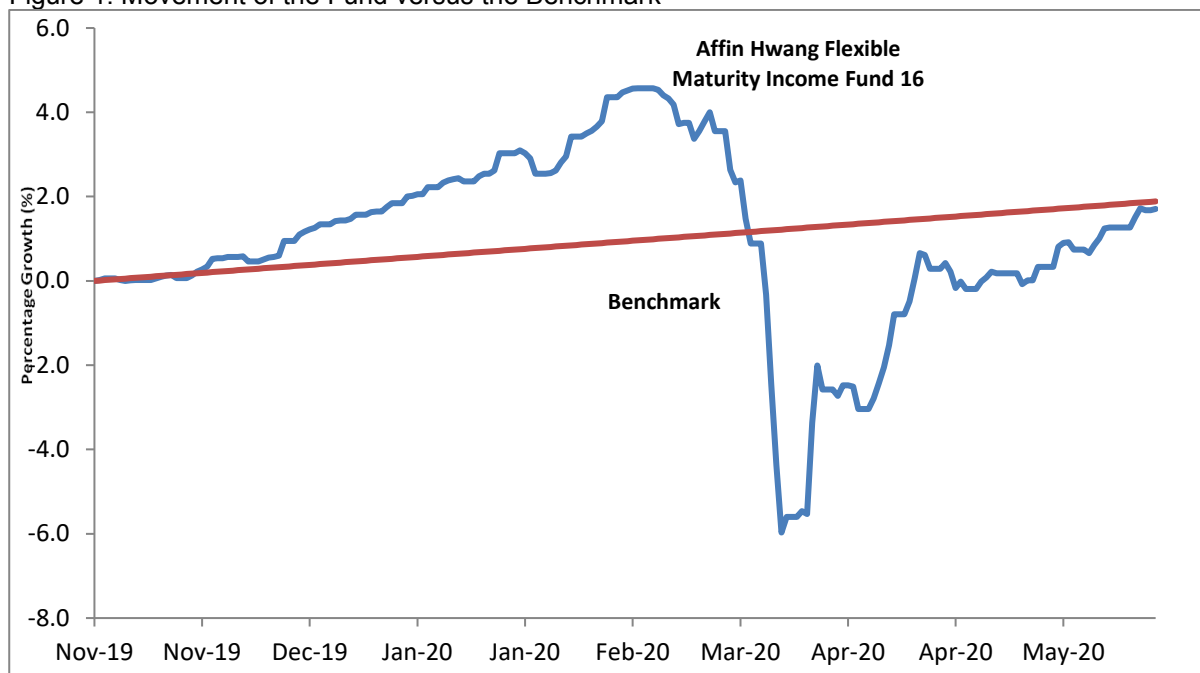
FUND PERFORMANCE DATA

Category	As at 31 May 2020	As at 29 Feb 2020
Total NAV (RM'million)	192.747	197.297
NAV per Unit (RM)	1.0168	1.0372
Unit in Circulation (million)	189.554	190.229

Table 1: Performance as at 31 May 2020

	3 Months (1/3/20 - 31/5/20)	6 Months (1/12/19 - 31/5/20)	Since Commencement (7/11/19 - 31/5/20)
Fund	(1.97%)	1.16%	1.71%
Benchmark	0.83%	1.67%	1.89%
Outperformance / (Underperformance)	(2.80%)	(0.51%)	(0.18%)

Figure 1: 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."

Benchmark: MBB 5 years Fixed Deposit

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, kindly refer to Figure 2.

Figure 2: Asset Allocation of the Fund

	31 May 2020
	(%)
Fixed Income	99.39
Cash & money market	0.61
Total	100.00

Strategies Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

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 Hong Kong Hang Seng index tumbled 6.7% in January, whilst the broader MSCI Asia ex-Japan index fell 4.5%. 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 even lower in February 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. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCI Asia ex-Japan index fell 2.9%.

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 and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. The global death toll caused by the pandemic surpassed 50,000 as at end of March. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy.

The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China. The number of confirmed Covid-19 cases in the US exceeded the grim 100,000 mark as testing is ramped-up in the country and the administration begins to acknowledge the severity of the outbreak and impose more drastic lockdown measures.

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 by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

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.

On commodities, crude oil prices slid 8.0% in April as production cuts agreed by OPEC+ disappointed markets. The supply cuts were unlikely to be sufficient to mitigate the sharp collapse in demand which has also seen depleting storage space in the industry.

On the domestic front, the benchmark KLCI fell by 3% in February as 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.

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia's economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.

Moving into the 2Q2020, economic growth will likely come off even more sharply as the quarter captures the full impact of the movement control order ("MCO") period where most businesses were temporarily shuttered. Against a challenging backdrop for the economy, the full year GDP growth forecast is expected to shrink between -5.0% and 0.7% in 2020.

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.

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

Recent placement exercises by Tenaga Nasional Bhd ("TNB") and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

Investment Outlook

Economic lockdowns have triggered a rapid and sharp decline in growth. It may take time for the global economy and corporates to recover back to pre-COVID-19 levels. Though, massive stimulus from central banks and governments will help alleviate economic pain.

Although the number of daily new cases may rise again as economies re-open, we are seeing a number of positive developments that may help prevent infection and mortality rates from rising back to its peak in March/April for many countries. The general public is much more careful now by wearing masks in public areas and maintaining hygiene as they adapt to a new normal. Thus, behavioural changes within society can help to stem the spread of infection.

The supply of masks and PPEs are also much higher today than a few months ago as manufacturers increase production to meet demand. Hospitals and medical facilities are also much more prepared after increasing ICU beds and ventilators. Governments have also ramped-up contact tracing capabilities that will help in the process of reopening economies. The research and development process to find a cure is also gathering pace with a number of vaccines already in Phase 3 trials. With a better medical arsenal to combat against the pandemic, expectations are that the second wave will not result in higher mortality rates unlike past pandemics.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MAY 2020

Financial
period ended
31.5.2020
RM

INVESTMENT INCOME

Interest income from financial assets at amortised cost	252,519
Interest income from financial assets at fair value through profit or loss	5,429,138
Exit fee income	20,769
Net gain on foreign currency exchange	191,694
Net loss on forward foreign currency contracts at fair value through profit or loss	(4,849,285)
Net gain on financial assets at fair value through profit or loss	2,509,666
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	3,554,501

EXPENSES

Management fee	(228,354)
Trustee fee	(45,671)
Auditors' remuneration	(4,246)
Tax agent's fee	(1,857)
Fund accounting fee	(3,250)
Other expenses	(25,458)
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	(308,836)

NET PROFIT BEFORE TAXATION	3,245,665
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Taxation	(175)
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NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD

3,245,490

Net profit after taxation is made up of the following:

Realised amount	5,479,105
Unrealised amount	(2,233,615)
	<hr/>
	3,245,490

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

2020
RM

ASSETS

Cash and cash equivalents	4,076,112
Financial assets at fair value through profit or loss	194,480,137
Forward foreign currency contracts at fair value through profit or loss	339,640
TOTAL ASSETS	198,895,889

LIABILITIES

Forward foreign currency contracts at fair value through profit or loss	5,188,925
Amount due to Manager	
- management fee	32,465
Amount due to Trustee	6,493
Amount due to broker	869,000
Auditors' remuneration	4,246
Tax agent's fee	1,857
Other payables and accruals	1,062
Tax provision	175
TOTAL LIABILITIES	6,104,223

NET ASSET VALUE OF THE FUND

192,791,666

EQUITY

Unitholders' capital	189,546,176
Retained earnings	3,245,490

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

192,791,666

NUMBER OF UNITS IN CIRCULATION

189,554,000

NET ASSET VALUE PER UNIT (RM)

1.0171

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MAY 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 17 October 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	3,245,490	3,245,490
Movement in unitholders' capital:			
Creation of units arising from applications	190,239,000	-	190,239,000
Cancellation of units	(692,824)	-	(692,824)
Balance as at 31 May 2020	189,546,176	3,245,490	192,791,666

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