

# Affin Hwang

## Income Focus Fund 3

Quarterly Report  
30 April 2020

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
CIMB Commerce Trustee Berhad (313031-A)

# AFFIN HWANG INCOME FOCUS FUND 3

## Quarterly Report and Financial Statements As at 30 April 2020

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## QUARTERLY REPORT

### FUND INFORMATION

Fund Name	Affin Hwang Income Focus Fund 3
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Duration of the Fund	Three (3) years close-ended Fund
Termination Date	21 December 2020
Benchmark	12-month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis

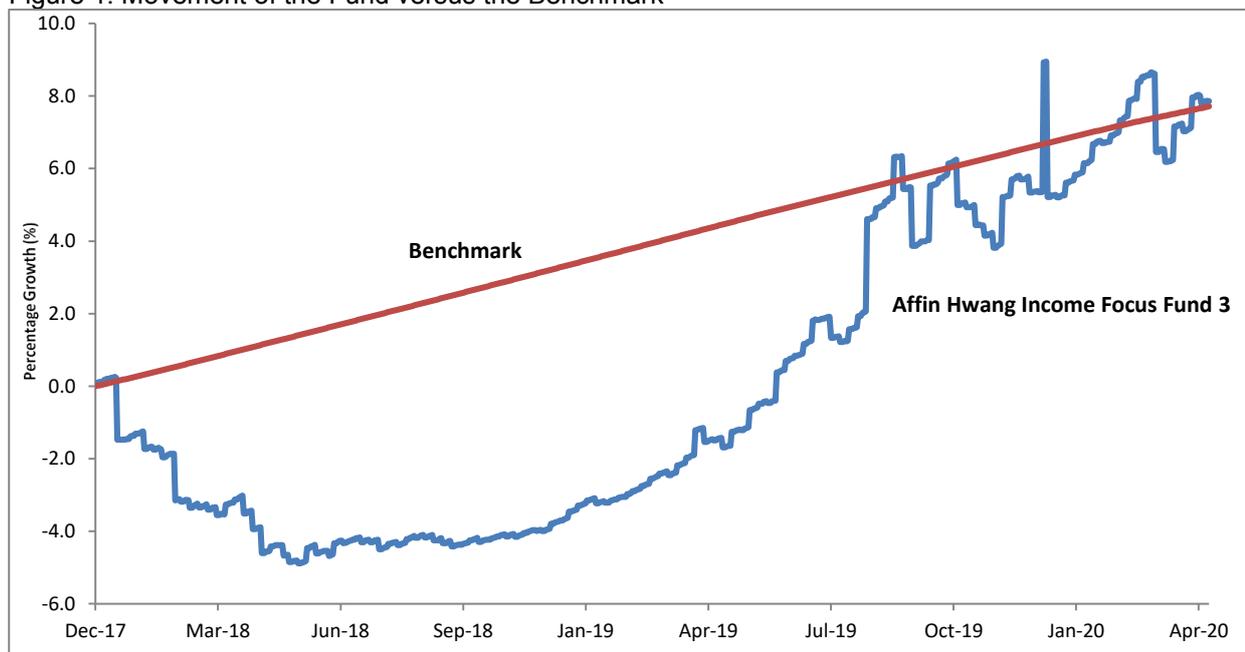
### FUND PERFORMANCE DATA

Category	As at 30 Apr 2020	As at 31 Jan 2020
Total NAV (RM'million)	133.774	132.311
NAV per Unit (RM)	1.0421	1.0307
Unit in Circulation (million)	128.371	128.371

Table 1: Performance as at 30 April 2020

	3 Months (1/2/20 - 30/4/20)	6 Months (1/11/19 - 30/4/20)	1 Year (1/5/19 - 30/4/20)	Since Commencement (20/12/17 - 30/4/20)
<b>Fund</b>	<b>1.11%</b>	<b>2.72%</b>	<b>9.18%</b>	<b>7.86%</b>
<b>Benchmark</b>	<b>0.66%</b>	<b>1.43%</b>	<b>3.02%</b>	<b>7.71%</b>
<b>Outperformance</b>	<b>0.45%</b>	<b>1.29%</b>	<b>6.16%</b>	<b>0.15%</b>

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: MBBD12M FD

***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:

	<b>30 April 2020</b>
	(%)
Cash & money market	100.00
<b>Total</b>	<b>100.00</b>

### **Strategies Employed**

The Manager maintained a high level of investment in domestic fixed deposits. To date, the Manager is comfortable with the deposits that have been placed by the Fund in respect of the bank's credit and fundamentals.

### **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.

There are tentative signs of the coronavirus infection starting to stabilise in US and Europe. Spain reported the fewest number of new coronavirus deaths in the month. Italy which was the first Western democracy to be hit by the virus and has suffered the most deaths of any nation is starting to see signs of the pandemic ebbing. In the US, the pace of infection has slowed with New York which has emerged as the new epicentre of the epidemic appears to have passed the peak with hospitalisation rates falling.

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. Oil prices are expected to stay weak as supply cuts including those agreed by OPEC+ (9.7 million barrels per day) is unlikely to be sufficient to mitigate the sharp collapse in demand (20 to 35million barrels per day).

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.

The local market suffered losses with the benchmark KLCI closing 8.9% lower in March as pandemic fears gripped the country with cases continuing to rise. Malaysia has the highest number of known infections in Southeast Asia with more than 3,000 confirmed cases in the country at the time of writing.

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, Prim 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.

We could see a resurgence of COVID-19 cases as many countries ease or end their lockdown. To prevent a second wave of infection, it is imperative that countries have sufficient testing and thorough contact-tracing capabilities that enable effective targeted quarantine. These capabilities will help limit COVID-19 infections when countries re-open their economy.

On treatment for COVID-19, any rapid drug or vaccine development, if successful will help mitigate COVID-19 infections. Clinical trials have shown the most promise for re-purposed drugs like Remdesivir that has sped up recovery rates during hospitalisation, though it did not significantly improve mortality rates.

In Asia, we continue to see a resumption of activities in China where the coronavirus was first detected. Almost all factories have reopened as lockdowns are gradually lifted in the country. However, the utilisation rates have yet to return to full scale, perhaps due to a lack of demand and strict social distancing measures in place that prevent factories from operating at full capacity. Recent reports also point to most hotels and tourist sites reopening in China. There has also been a marked recovery in automobile sales.

## AFFIN HWANG INCOME FOCUS FUND 3

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2020

	Financial period ended <u>30.4.2020</u> RM	Financial period ended <u>30.4.2019</u> RM
<b>INVESTMENT INCOME</b>		
Interest income from financial assets at fair value through profit or loss	4,576,130	2,493,314
Interest income from financial assets at amortised cost	2,499,456	-
Net gain on foreign currency exchange	8,084	-
Net (loss)/gain on financial assets at fair value through profit or loss	(3,500,296)	1,238,416
Exit fee income	-	470
	<u>3,583,374</u>	<u>3,732,200</u>
<b>EXPENSES</b>		
Trustee fee	(19,909)	(18,608)
Auditors' remuneration	(4,357)	(3,967)
Tax agent's fee	(1,525)	(1,736)
Fund accounting fee	(2,000)	-
Other expenses	(3,054)	(1,344)
	<u>(30,845)</u>	<u>(25,655)</u>
<b>NET PROFIT BEFORE TAXATION</b>	3,552,529	3,706,545
<b>TAXATION</b>	-	(23)
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<u>3,552,529</u>	<u>3,706,522</u>
Net profit after taxation is made up of the following:		
Realised amount	7,040,948	2,468,106
Unrealised amount	(3,488,419)	1,238,416
	<u>3,552,529</u>	<u>3,706,522</u>

## AFFIN HWANG INCOME FOCUS FUND 3

### STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

	<u>2020</u> RM	<u>2019</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	3,403	21,800
Deposits with licensed financial institutions	129,847,434	125,241,756
Financial assets at fair value through profit or loss	3,935,724	1,952,002
Tax recoverable	6,621	5,141
<b>TOTAL ASSETS</b>	<u>133,793,182</u>	<u>127,220,699</u>
<b>LIABILITIES</b>		
Amount due to Trustee	3,277	3,129
Auditors' remuneration	4,357	3,967
Tax agent's fee	6,425	6,636
Other payables and accruals	5,346	4,123
<b>TOTAL LIABILITIES</b>	<u>19,405</u>	<u>17,855</u>
<b>NET ASSET VALUE OF THE FUND</b>	<u>133,773,777</u>	<u>127,202,844</u>
<b>EQUITY</b>		
Unitholders' capital	128,373,181	128,759,307
Retained earnings/(accumulated losses)	5,400,596	(1,556,463)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>133,773,777</u>	<u>127,202,844</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<u>128,371,000</u>	<u>128,759,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<u>1.0421</u>	<u>0.9879</u>

## AFFIN HWANG INCOME FOCUS FUND 3

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

	Unitholders' <u>capital</u> RM	Retained earnings/ (accumulated <u>losses</u> ) RM	<u>Total</u> RM
Balance as at 1 November 2019	128,373,181	6,418,074	134,791,255
Total comprehensive income for the financial period	-	3,552,529	3,552,529
Distribution	-	(4,570,007)	(4,570,007)
Balance as at 30 April 2020	<u>128,373,181</u>	<u>5,400,596</u>	<u>133,773,777</u>
Balance as at 1 November 2018	128,769,000	(5,262,985)	123,506,015
Total comprehensive income for the financial period	-	3,706,522	3,706,522
Movement in unitholders' capital:			
Cancellation of units arising from applications	(9,693)	-	(9,693)
Balance as at 30 April 2019	<u>128,759,307</u>	<u>(1,556,463)</u>	<u>127,202,844</u>

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
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