Out think. Out perform.

Fund Updates May 2021

Affin Hwang World Series - Global Disruptive Innovation Fund Q&As to recent updates & developments

1. What is the silver lining in this recent market rotation from growth to value stocks?

This rotation has broadened and strengthened the bull market significantly, preventing another tech and telecom bubble and setting the stage for another leg up in innovation-based strategies. In the Manager's view, the coronavirus crisis transformed the world significantly and permanently, suggesting that stayat-home and other innovation-driven stocks will regain momentum.

2. Who are the biggest beneficiaries of this rotation? Why didn't the Manager participate in the rotation?

Interestingly, the biggest beneficiaries of the rotation toward cyclicals during the past six months have been the two sectors that the Manager believe will be disrupted the most by innovation during the next five years: Energy and Financial Services. In the Manager's view, autonomous electric vehicles and digital wallets, including cryptocurrencies and the decentralised financial services (DeFI) associated more broadly with blockchain technologies, will disrupt and disintermediate both Energy and Financial Services significantly during the next five years.

3. The Disruptive Innovation strategy has seen a correction of more than 30% over the past few months. What are the Manager's plans to navigate and overcome this challenging period?

Similar to the philosophy since the strategy's inception, the Manager consolidated the portfolio's holdings to their highest conviction names that have been hit hard and fall disproportionately. They have also utilised this opportunity to add names which have seen a correction of more than 50% from the peak, and positioned the fund for the next bull run.



Fund Updates May 2021

Affin Hwang World Series - Global Disruptive Innovation Fund

Q&As to recent updates & developments

4. One of the stock selection criteria for the strategy is to meet a minimum of 15% CAGR over the next 5 years. Given that many high growth and valuation stocks falling more than 30% from their peaks this year, do you think the potential upside has risen beyond this 15% CAGR threshold?

The Manager has seen the portfolio's average 5-year CAGR increased from 16% in mid-February this year to 29% lately. In addition, recent reported Q1 2021 earnings results have suggested the total addressable market within the Artificial Intelligence (AI) and work-from-home (WFH) space continued to expand. Given these names have corrected in the past few months, the Manager thinks that they appeared attractive right now. Hence, the strategy has stepped up the AI exposure to capitalise on this bigger opportunity set.

5. There is an understanding that technological innovation is a powerful force driving the long-term deflationary trend, do you think this trend is set to continue?

The Manager believe many companies have catered to short-term oriented shareholders that resulted in curtailed investments in innovation. With aging products and services, they could be forced to cut prices to clear inventories and service their bloated debts. In contrast, emerging companies from the five major innovation platforms have sacrificed short-term profits to move into pole positions, and capitalising on what could be winner-takes-most opportunities.

The Manager view the deflationary ramifications associated with the convergence between and among all these technologies could be profound. For example, artificial intelligence training costs alone are declining 68% per year. The learning curves associated with genomic sequencing, battery pack systems, industrial robots, and 3D printing, among many other technologies converging with artificial intelligence, will compound the declining costs which, in turn, should feed into prices and unleash waves of demand for new products and services, many of which we cannot imagine at this time. In short, the outlook for innovation-driven stocks continues to look promising.

Out think. Out perform.

Fund Updates May 2021

Disclaimer

This content has been prepared by Affin Hwang Asset Management Berhad (hereinafter referred to as "Affin Hwang AM") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to Affin Hwang AM and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of Affin Hwang AM. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, Affin Hwang AM makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product. Affin Hwang AM is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. Affin Hwang AM and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither Affin Hwang AM nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.

Warning Statement

A copy of the Information Memorandum ("Info Memo") and Product Highlights Sheet ("PHS") can be obtained at Affin Hwang Asset Management's ("Affin Hwang AM") sales offices or at www.affinhwangam.com. Investors are advised to read and understand the contents of Affin Hwang World Series –Global Disruptive Innovation Fund's (or the "Fund") Info Memo dated 20 October 2020 and corresponding PHS before investing. There are fees and charges involved when investing in the Fund. Investors are advised to consider and compare the fees and charges as well of the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and past performance of the fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibility for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.