

QUARTERLY REPORT
30 April 2023

**AHAM Single Bond
Series 4**
(Formerly known as Affin
Hwang Single Bond Series 4)

MANAGER
AHAM Asset Management Berhad
*(Formerly known as Affin Hwang Asset
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TRUSTEE
CIMB Commerce Trustee
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AHAM SINGLE BOND SERIES 4
(FORMERLY KNOWN AS AFFIN HWANG SINGLE BOND SERIES 4)

Quarterly Report and Financial Statements
As at 30 April 2023

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Single Bond Series 4 (Formerly known as Affin Hwang Series Bond Series 4)
Fund Type	Income
Fund Category	Bond (wholesale)
Investment Objective	The Fund aims to provide regular income over medium to long term period.
Benchmark	12-month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will provide distribution on an annual basis.

FUND PERFORMANCE DATA

MYR Class

Category	As at 28 Apr 2023	As at 31 Jan 2023
Total NAV (RM'million)	-1.543	109.751
NAV per Unit (RM)	0.0000	0.8102
Unit in Circulation (million)	133.481	135.455

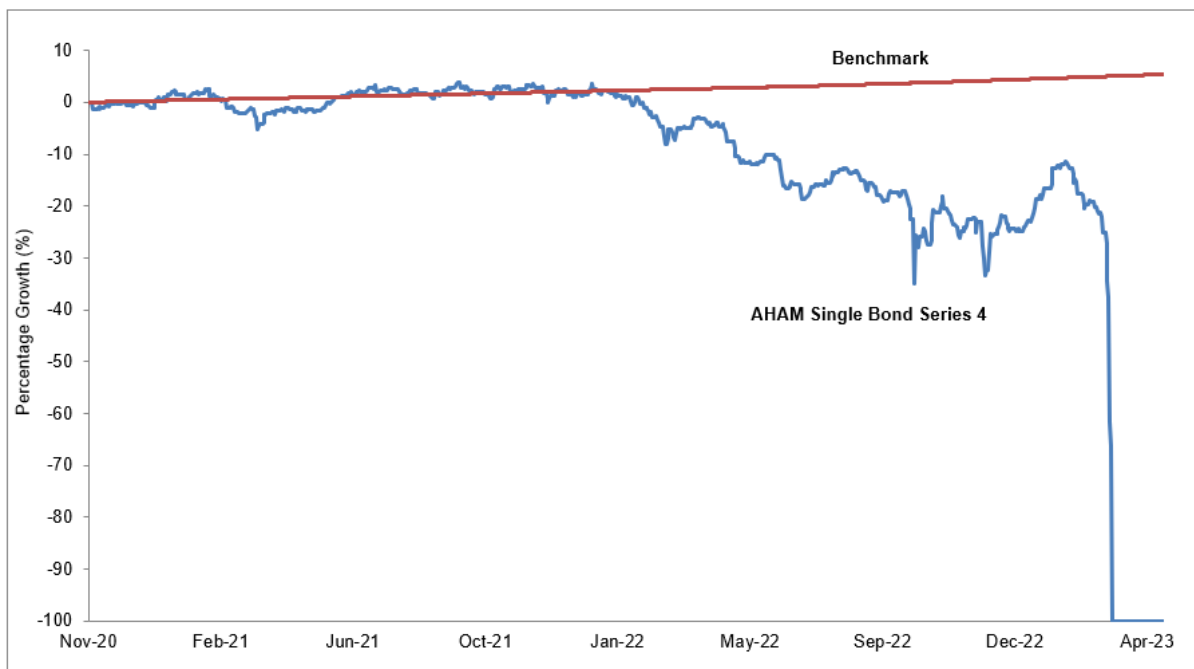
Fund Performance

Table 1: Performance as at 30 April 2023

	3 Months (1/2/23 - 30/4/23)	6 Months (1/11/22 - 30/4/23)	1 Year (1/5/22 - 30/4/23)	Since Commencement (9/11/20 - 30/4/23)
Fund	(100.00%)	(100.00%)	(100.00%)	(100.00%)
Benchmark	0.69%	1.40%	2.57%	5.38%
Outperformance	(100.69%)	(101.40%)	(102.57%)	(105.38%)

Source of Benchmark: Bloomberg

Figure 1: Movement of the Fund versus the Benchmark



"This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang 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: 12-month Malaysian Banking Berhad Fixed Deposit Rate

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 April 2023

(%)

Nil

Strategies Employed

The Fund invests solely in a single bond paper and aims to provide regular income over the medium to long-term period.

Market Review

During an investor presentation on 14 March 2023, Credit Suisse reported that it had a CHF17.8 billion buffer above its CET1 capital of 14.1% (as of 4Q22) beyond the write-down trigger level of 7%. The bank's CEO also announced at the European Financial Conference, hosted by Morgan Stanley, that Credit Suisse's Liquidity Coverage Ratio had improved from 144% in 4Q22 to 150% on 14 March 2023.

Despite a significant drop in Credit Suisse's shares and bond prices on 15 March 2023, due to concerns over deposit outflows and fragile global market sentiment, the Swiss Financial Market Supervisory Authority ("FINMA") and Swiss National Bank ("SNB") reassured the public that the bank's capital and liquidity position remained above the required levels. Furthermore, the SNB provided CHF50 billion of liquidity support to further alleviate any concerns.

On 19 March 2023, Union Bank of Switzerland (“UBS”) announced its acquisition of Credit Suisse for CHF3 billion, which involved the Swiss Confederation providing a guarantee for potential losses of certain assets that UBS would acquire as part of the transaction. The SNB also offered an additional CHF100 billion liquidity backstop. However, FINMA announced in a press release that, due to extraordinary government support, it would trigger the write-down of CHF16 billion of Credit Suisse’s Additional Tier 1 (“AT1”) securities. New laws were drafted to bypass shareholders’ approval for the merger transaction.

The FINMA’s decision was unprecedented and controversial, as the order of absorbing losses was reversed, and AT1 bondholders took all the losses before shareholders’ equity value was wiped out. On 22 April 2023, Switzerland’s federal prosecutor launched an investigation into the merger transaction. The prosecutor is examining potential breaches of Swiss criminal law by government officials, regulators, and executives at the two banks. The prosecutor may be investigating breaches of secrecy provisions by officials or trading on inside information, adding that wiping out the AT1 bondholders as planned under the deal is also problematic.

In response, a growing number of Credit Suisse AT1 bondholder groups are seeking to work with leading global litigation firms to represent them in discussions with Swiss authorities and possible litigation to recover losses suffered following the announcement of the UBS-Credit Suisse merger.

On 12 June 2023, UBS via an open letter announced that it had completed the acquisition of Credit Suisse. The closing of the deal comes after finalised negotiations with the Swiss government over a CHF9 billion guarantee against potential losses on Credit Suisse assets. Whilst UBS is expected to report a sizeable profit in its second quarter from the acquisition, it now faces the task of fusing the two banks with significant overlap while regulators will need to determine the required adjustments to liquidity and capital requirements. UBS Chief Executive Officer Sergio Ermotti planned to cut risk at the investment bank and signalled that due to differences in risk appetite, UBS may not take on all of Credit Suisse’s clients. We expect more announcements surrounding the restructuring or winding down of certain businesses and potential job cuts.

Investment Outlook

Markets are set to remain challenging as the global economy waddles through several turbulent changes. The effects of Russia’s invasion of Ukraine, the highest level of inflation seen in several decades and the lingering COVID-19 pandemic effects all contribute heavily to the outlook. As policymakers aim to lower inflation back to a sustainable range, monetary and fiscal policy that provided support during the pandemic has started to normalise. However, without careful calibration of policies, more economies could potentially see a larger degree of slowing growth or outright contraction. The possibility of another pandemic-induced supply chain reduction on top of the continuing Russia-Ukraine conflict could affect the global economy’s health.

We expect volatility to remain as markets continue to shift between competing narratives of elevated inflation and the rising risk of a recession, which will take time to play out. Risks to the outlook continue to remain large and for the most part, to the downside. Central banks and policymakers could misjudge the right stance to contain inflation and reign it in for a soft landing. If policy paths in the largest economies continue to diverge, further US dollar appreciation and cross-border tension could be observed.

Specifically in the Additional Tier 1 (“AT1”) markets, the unprecedented write-down of Credit Suisse AT1 securities introduced widespread volatility across the instruments. Other regulators such as the European Banking Authority, the European Central Bank, the Single Resolution Board, the Bank of England, and the Monetary Authority of Singapore were quick to issue statements to express their disagreement over the Swiss authorities’ decision and to reassure investors that AT1 securities within their respective jurisdictions would respect the hierarchy in that equity investors would be the first to absorb losses. While this did have an effect of allaying some concerns, and there was a recovery in AT1 markets, we expect to see increased scrutiny and potential regulatory reforms within the space.

State of Affairs of the Fund

Due to FINMA’s unprecedented decision to write off the Credit Suisse Additional Tier 1 (“AT1”) bonds as announced in the UBS-Credit Suisse merger on 19 March 2023, the fund’s sole investment holding in the USD CS 5.25% AT1 has been impacted. As of 30 April 2023, the AHAM Single Bond Series 4’s net asset value (“NAV”) was -RM1,542,747.00 after accounting for tax liability, the unwinding of FX hedges, and other

liabilities. Pursuant to the Securities Commission's Guidelines, the investors' liabilities are limited to the amount invested in the Wholesale Fund, resulting in a NAV per unit quoted at RM0.00.

Following these developments, we have identified that the best course of action was to seek legal advice, consult with global peers who are Credit Suisse AT1 bondholders for their viewpoint, and evaluate the feasibility of pursuing recovery through a class action lawsuit. As part of this process, we initiated communication with several leading international law firms and carefully assessed the feasibility of their proposed approaches. Our objective was to identify a law firm with the necessary strategies and experience to effectively represent bondholders in this matter. We evaluated their track records in handling similar cases, their resources across multiple jurisdictions, and other critical factors.

After reviewing various legal options, we appointed Quinn Emanuel Urquhart & Sullivan LLP ("Quinn Emanuel") to represent unitholders. Quinn Emanuel is a reputable, worldwide legal firm with a proven record of accomplishment in managing comparable cases. Quinn Emanuel has also been appointed by other significant holders of Credit Suisse's AT1 capital instruments to act on their behalf in negotiations with Swiss authorities and potential litigation aimed at recovering losses incurred in the wake of the merger announcement between UBS and Credit Suisse. We are confident that they will bring their vast expertise, knowledge, and experience to bear in representing our interests and those of other AT1 capital instrument holders.

As of 7 June 2023, Quinn Emanuel has informed us and other global AT1 bondholders that the Swiss Federal Administrative Court ("SFAC") has effectively acknowledged receipt of the filing made by the firm on 18 April 2023. A judge has also been assigned to oversee proceedings. The Court has subsequently (i) ordered disclosure of FINMA's decree whereby it ordered Credit Suisse to write down the AT1 bonds, (ii) requested the appellants' further submissions on the significance of this decree (which such submissions are to be filed on 7 June 2023, and (iii) ordered the Swiss Financial Market Supervisory Authority ("FINMA") to produce by 7 June 2023, the full file regarding its write down decision. This would encompass a comprehensive set of materials FINMA used to write down the AT1 bonds.

Quinn Emanuel has also filed bondholding information, including address, notional amount, market value and International Securities Identification Number ("ISIN") as required by SFAC. This includes information on the Manager as bondholders.

Rest assured the Manager will advance all legal fees prior to any recovery amount received from the litigation. In the event of a successful recovery, Manager will deduct the advances from the recovery before remitting the balance to the respective portfolios. If there is no recovery, Manager will absorb the cost.

AHAM SINGLE BOND SERIES 4
(FORMERLY KNOWN AS AFFIN HWANG SINGLE BOND SERIES 4)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2023

	Financial period ended <u>30.4.2023</u> RM	Financial period ended <u>30.4.2022</u> RM
INVESTMENT LOSS		
Interest income from financial assets at amortised cost	21,918	20,850
Interest income from financial assets at fair value through profit or loss	(116,074)	1,250,208
Net gain on foreign currency exchange	189,930	15,544
Net loss on forward foreign currency contracts at fair value through profit or loss	-	(2,043)
Net loss on currency swap at fair value through profit or loss	(9,169,472)	(2,667,331)
Net loss on financial assets at fair value through profit or loss	(98,962,843)	(8,224,578)
	<u>(108,036,541)</u>	<u>(9,607,350)</u>
EXPENSES		
Management fee	-	(133,631)
Trustee fee	(3,218)	(10,693)
Fund accounting fee	(2,000)	(2,000)
Auditors' remuneration	-	(1,951)
Tax agent's fee	-	(854)
Other expenses	(2,538)	(3,311)
	<u>(7,756)</u>	<u>(152,440)</u>
NET LOSS BEFORE TAXATION	(108,044,297)	(9,759,790)
Taxation	<u>(59,456)</u>	-
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD	<u>(108,103,753)</u>	<u>(9,759,790)</u>
Net loss after taxation is made up of the following:		
Realised amount	(5,232,353)	1,622,278
Unrealised amount	(102,871,400)	(11,382,068)
	<u>(108,103,753)</u>	<u>(9,759,790)</u>

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UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	<u>2023</u> RM	<u>2022</u> RM
ASSETS		
Cash and cash equivalents	180,827	9,426,626
Amount due from Manager		
- management fee	40,223	-
- creation of units	-	752,761
Financial assets at fair value through profit or loss	-	110,879,984
TOTAL ASSETS	<u>221,050</u>	<u>121,059,371</u>
LIABILITIES		
Currency swap at fair value through profit or loss	-	5,058,318
Amount due to dealers	-	5,525,027
Amount due to Manager		
- management fee	-	44,075
Amount due to Trustee	-	3,526
Auditors' remuneration	8,000	9,951
Tax agent's fee	3,500	4,354
Tax payable	1,691,755	-
Other payables and accruals	60,542	366
TOTAL LIABILITIES	<u>1,763,797</u>	<u>10,645,617</u>
NET ASSET VALUE OF THE FUND	<u>(1,542,747)</u>	<u>110,413,754</u>
EQUITY		
Unitholders' capital	131,385,671	125,054,900
Accumulated losses	(132,928,418)	(14,641,146)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>(1,542,747)</u>	<u>110,413,754</u>
NUMBER OF UNITS IN CIRCULATION	<u>133,481,000</u>	<u>126,014,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.0000</u>	<u>0.8762</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2023

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 February 2023	132,680,500	(22,929,177)	109,751,323
Total comprehensive loss for the financial period	-	(108,103,753)	(108,103,753)
Distributions		(1,895,488)	(1,895,488)
Movement in unitholder's capital:			
Creation of units arising from distribution	237,761	-	237,761
Cancellation of units	(1,532,590)	-	(1,532,590)
Balance as at 30 April 2023	<u>131,385,671</u>	<u>(132,928,418)</u>	<u>(1,542,747)</u>
Balance as at 1 February 2022	119,972,805	(2,354,804)	117,618,001
Total comprehensive loss for the financial period	-	(9,759,790)	(9,759,790)
Distributions		(2,526,552)	(2,526,552)
Movement in unitholder's capital:			
Creation of units arising from application	5,828,173	-	5,828,173
Creation of units arising from distribution	49,229	-	49,229
Cancellation of units	(795,307)	-	(795,307)
Balance as at 30 April 2022	<u>125,054,900</u>	<u>(14,641,146)</u>	<u>110,413,754</u>

AHAM Asset Management Berhad

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