AHAM CAPITAL
ASSET MANAGEMENT

QUARTERLY REPORT
30 April 2024

AHAM **Flexible Maturity Income** Fund 21

MANAGER
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AHAM FLEXIBLE MATURITY INCOME FUND 21

Quarterly Report and Financial Statements
As at 30 April 2024

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Flexible Maturity Income Fund 21
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	14 December 2026
Benchmark	5-year 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 Apr 2024**	**As at 31 Jan 2024**
Total NAV (RM'million)	168.92	166.51
NAV per Unit (RM)	0.9591	0.9427
Unit in Circulation (million)	176.13	176.62

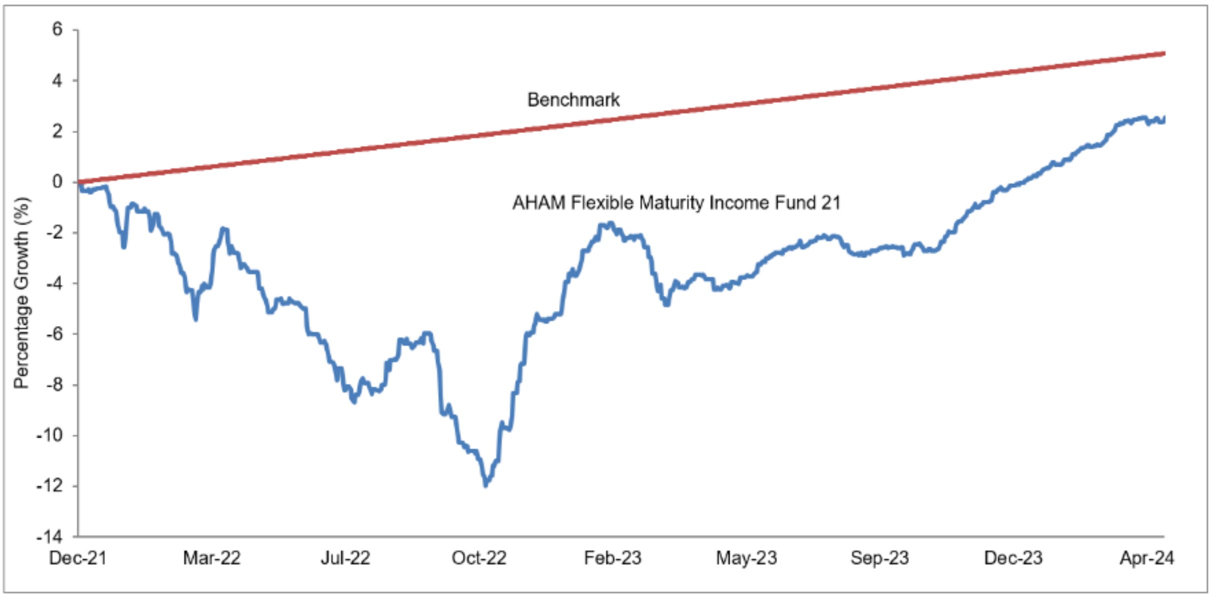
Fund Performance

Performance as at 30 April 2024

	3 Months (1/2/24 - 30/4/24)	6 Months (1/11/23 - 30/4/24)	1 Year (1/5/23 - 30/4/24)	Since Commencement (13/12/21 - 30/4/24)
Fund	1.74%	5.29%	6.60%	2.53%
Benchmark	0.51%	1.04%	2.11%	5.08%
Outperformance	1.23%	4.25%	4.49%	(2.55%)

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:

	30 April 2024
	(%)
Fixed Income	99.31
Derivative	-1.73
Cash & money market	2.42
Total	100.00

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 bond 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.

The Manager have implemented several key measures to enhance the risk profile and resilience of the Funds in response to prevailing market conditions. One of the pivotal decisions was the complete exit from China property bonds. This was premised on the liquidity and credit challenges faced by China property developers. Persistently weak property sales, coupled with government policies that have not fully addressed underlying issues, led the Manager to believe that these challenges were unlikely to be swiftly resolved. Furthermore, the decision of many issuers to prioritize onshore bonds over offshore bonds signalled prolonged and uncertain timelines for the restructuring of defaulted bonds, with anticipated low recovery values, if any.

The Manager took proactive measures starting from 2022, actively reducing holdings in the China property sector. By 2023, a strategic decision was made to exit entirely from China property bonds. Crucially, strategic divestments were made, including the complete exit from core holdings such as Country Garden and CIFI Holdings in the first half of 2023. These decisions were made during a period of relatively favourable market sentiment and exit from this segment was mostly completed by July 2023. Presently, the fund has only 0.1% of NAV exposure to China property bonds.

Secondly, the Manager has further 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.

Furthermore, exposure to domestic Ringgit bonds have also been increased over 2023. This shift reflects a preference for more defensive assets as the Ringgit bond market is less volatile (also less rate hikes by BNM). Besides diversifying bond holdings and focusing on stability, this also mitigates some of the impact of the foreign sourced income tax (FSI) imposed on the Fund in 2022 and 2023.

On a positive note, we wish to highlight that FSI have been exempted from 1 January 2024. Given this development, there has also been some rebalancing out of MYR credits into a more regional credits denominated in hard currencies.The Manager sees that the interest rates are higher in some key currencies like USD and AUD, which offer better yield carry. Additionally, given previously high inflation is tapering off, there is prospects of interest rate cuts in the medium term as well. This should augur well for the bonds in the portfolio over the remaining life of Fund.

Market Review

The global sentiment has seen an improvement especially in the 4th quarter of 2023. Credit spreads of corporate bonds have tigthened over the past 6 months which contributed well to the performances of bonds. As a recap, the global fixed income market have been presented with unprecedented challenges over the past 3 years. The aftermath of the Covid-19 pandemic, coupled with supply chain disruptions and geopolitical events, sparked a period of high inflation and robust global growth. In response, central banks globally adopted an aggressive stance, leading to one of the most severe interest rate hike cycles in history. The US Federal Reserve, for instance, raised interest rates by over 500 basis points (bps) from March 2022 till July 2023. Moreover, central banks started Quantitative Tightening, reining in their balance sheets. These measures triggered market adjustments, causing bond prices to decline. On a positive note, the Fed has stopped raising interest rates since the mid of 2023. Some notable key economic developments contributing to this was the gradual softening in the US labour market coupled with lower inflationary data. Over the period under review, US treasury yields rose from 3.58%, peaked at 5% in October and ended April at 4.68% and meanwhile JPM Asia Credit Index delivered 5.4% returns (USD).

The year 2024 kickstarted with the US government bond market pricing in high expectations of 6-7 interest rate cuts for full year 2024 which were then eventually repriced to 1-2 cuts. Economic data in the US that eventhough showed signs of gradual softening, overall proved to be more resilient than markets have expected. As a result, there have been a dial back of market expectations of interest rate cuts. US treasury yields rose from 3.91% and ended April at 4.68%. The rise in global bond yields during this period were offset by the tightening in credit spreads as demand for corporate bonds have been strong.

In the Asian credit landscape, the default crisis among China's property developers proved especially impactful. Over late 2021 to 2023, majority of China private developers defaulted on their bonds obligations, including offshore bonds. What initially began with Evergrande's default spread rapidly, affecting even high-quality developers. This situation led to a significant risk-off sentiment and widespread credit spread widening, not only in the High Yield sector but also among Investment Grade names in the same industry. Over the reporting period, overall home sales data in China had remained soft as policy easing measures in the China property space were insufficient to lift home-buyer sentiment. Outside of this segment in China, bonds from other sectors such as the State Owned Enterprises and Tech sector have been well demanded. Overall, secondary and primary bond issuances in the broader Asia-pacific region have continued to be well supported amid resilient credit profile and improving demand/supply dynamics.

As for global banking segment, in March 2023, financial markets grappled with the collapse of US regional banks such as Silicon Valley bank and also the unprecedented write-off of Credit Suisse AT1, a global systematically important bank (G-SIB). Since then, investor sentiment was quick to reverse as bond prices of banks has substantially recovered. Market participants perceive these events to be isolated. The financial results of global banks continued to show resilience, suggesting healthy fundamentals.

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 relatively resilient local bond market yields over the period under review.

Lastly, the Malaysian Government implemented the foreign sourced income tax that was applicable in 2022 and 2023. As a transition measure, the foreign sourced income received in Malaysia from 1 January 2022 until 30 June 2022 was to be taxed at a 3% rate on a gross basis. The foreign sourced income received in Malaysia from 1 July 2022 till end 2023 was to be subject to tax based on the prevailing income tax rate. This foreign sourced income tax on coupon and interest received affected the Fund's performance. We highlight that FSI has been exempted from 1 January 2024 which is a removal of a headwind to the Fund's performance going forward.

Investment Outlook

The current global economic landscape presents both challenges and opportunities. Despite the turbulence in the bond market and the unexpected sluggishness in China's recovery, several potential positive catalysts are in sight over the few quarters.

Firstly, the Federal Reserve is nearing or at the the peak of its current rate hike cycle: As inflation trends move in a favourable direction and signs of a cooling labour market emerge, there is potential for stabilization in interest rates. There have been more central banks "pausing" in recent months notably Federal Reserve has paused since September. This stability could provide a more predictable environment for bond investments in the medium term. In addition, there is anticipation that central banks, including the Fed, might reduce interest rates if inflation and economic growth decelerates further in 2024, thus supporting bond valuations. This could be driven by geopolitical events or a sharp deterioration in economic and labour market conditions.

Secondly, valuations of bonds have turned more attractive. After the sharp rise of interest rates in the last 2-3 years, bonds are offering an attractive yield carry and may benefit from rate cuts in 2024-2025. The Fed Fund Rate today is at 5.5%. The Manager expects the short to medium part of yield curve to be more defensive against any potential yield curve steepening.

The main composition of its fixed income investsments are corporate bonds, diversified regionally and across sectors. We also note that there has been overall strong demand for corporate bonds as compared to the bond supply since the 4th quarter of 2023. These have been supportive of corporate bond credit spreads.

Finally, China's government is expected to unveil additional stimulus policies in the coming quarters to reignite economic growth. While the property sector remains a concern, improved growth prospects in China could enhance investor sentiment in the Asian region.

On the flipside, it is worth cautioning on some possible scenarios that may have adverse implications on bond investments. For example, one of the risks is reacceleration of inflation in 2024. This could be anchored by consumer spending if the labour market remains tight. Commodity prices on the other hand could be volatile, having mixed demand and supply dynamics amid a moderating global economic growth. Besides that, the Bank of Japan has exited negative interest rates and yield curve control policy but there will be further speculation on whether the central bank will further normalise its monetary policy such as on JGB buying. Such event could translate to pressure on bond yields globally. On the geopolitical front, there are various conflicts that are unfolding and may have mixed implications for bonds. All these warrants closer monitoring and may require nimble adjustments to bond positioning.

The Manager would like to emphasize that the final performance upon the Funds' maturity remain subject to various factors including market conditions. With the remaining tenure of the Fund, the Manager would continue to diligently monitor market dynamics, identify prudent investment opportunities, and employ risk management strategies with the aim of securing the best possible outcome for investors of the Fund.

AHAM FLEXIBLE MATURITY INCOME FUND 21

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

	Financial period ended 30.4.2024 RM	Financial period ended 30.4.2023 RM
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	21,654	3,063
Interest income from financial assets at fair value through profit or loss	2,035,929	1,983,387
Net (loss)/gain on foreign currency exchange	(240,993)	224,813
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	500,614	(3,705,348)
Net gain/(loss) on financial assets at fair value through profit or loss	678,993	(945,094)
	2,996,197	(2,439,179)
EXPENSES		
Management fee	(82,556)	(82,145)
Trustee fee	(16,511)	(16,429)
Fund accounting fee	(3,250)	(4,333)
Auditors' remuneration	(2,022)	(2,028)
Tax agent's fee	(885)	(887)
Other expenses	(8,030)	(6,332)
	(113,254)	(112,154)
NET PROFIT/(LOSS) BEFORE TAXATION	2,882,943	(2,551,333)
Taxation	-	(151,843)
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	2,882,943	(2,703,176)

Net profit/(loss) after taxation is made up of the following:

Realised amount	1,830,184	(364,009)
Unrealised amount	1,052,759	(2,339,167)
	2,882,943	(2,703,176)

AHAM FLEXIBLE MATURITY INCOME FUND 21

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2024

	2024 RM	2023 RM
ASSETS		
Cash and cash equivalents	4,350,073	6,846,684
Financial assets at fair value through profit or loss	169,682,337	158,966,212
Forward foreign currency contracts at fair value through profit or loss	78,348	1,127,917
Tax recoverable	478,017	69,300
TOTAL ASSETS	174,588,775	167,010,113
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	2,996,179	442,185
Amount due to dealers	2,385,000	-
Amount due to Manager - management fee	27,672	27,318
Amount due to Trustee	5,534	5,464
Fund accounting fee	1,083	1,083
Auditors' remuneration	2,022	10,028
Tax agent's fee	4,385	4,387
Deferred tax liabilities	246,001	249,355
Other payables and accruals	23	775
TOTAL LIABILITIES	5,667,899	740,595
NET ASSET VALUE OF THE FUND	168,920,876	166,269,518
EQUITY		
Unitholders' capital	176,427,274	177,967,237
Accumulated losses	(7,506,398)	(11,697,719)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	168,920,876	166,269,518
NUMBER OF UNITS IN CIRCULATION	176,129,000	177,756,000
NET ASSET VALUE PER UNIT (RM)	0.9591	0.9354

AHAM FLEXIBLE MATURITY INCOME FUND 21

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

	Unitholders' capital RM	Accumulated losses RM	Total RM
Balance as at 1 February 2024	176,896,655	(10,389,341)	166,507,314
Total comprehensive income for the financial period	-	2,882,943	2,882,943
Movement in unitholders' capital:			
Cancellation of units	(469,381)	-	(469,381)
Balance as at 30 April 2024	176,427,274	(7,506,398)	168,920,876
Balance as at 1 February 2023	179,506,599	(8,994,543)	170,512,056
Total comprehensive loss for the financial period	-	(2,703,176)	(2,703,176)
Movement in unitholders' capital:			
Cancellation of units	(1,539,362)	-	(1,539,362)
Balance as at 30 April 2023	177,967,237	(11,697,719)	166,269,518

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