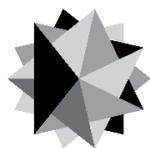


Affin Hwang

Income Focus Fund 3

Quarterly Report
31 January 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 31 January 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

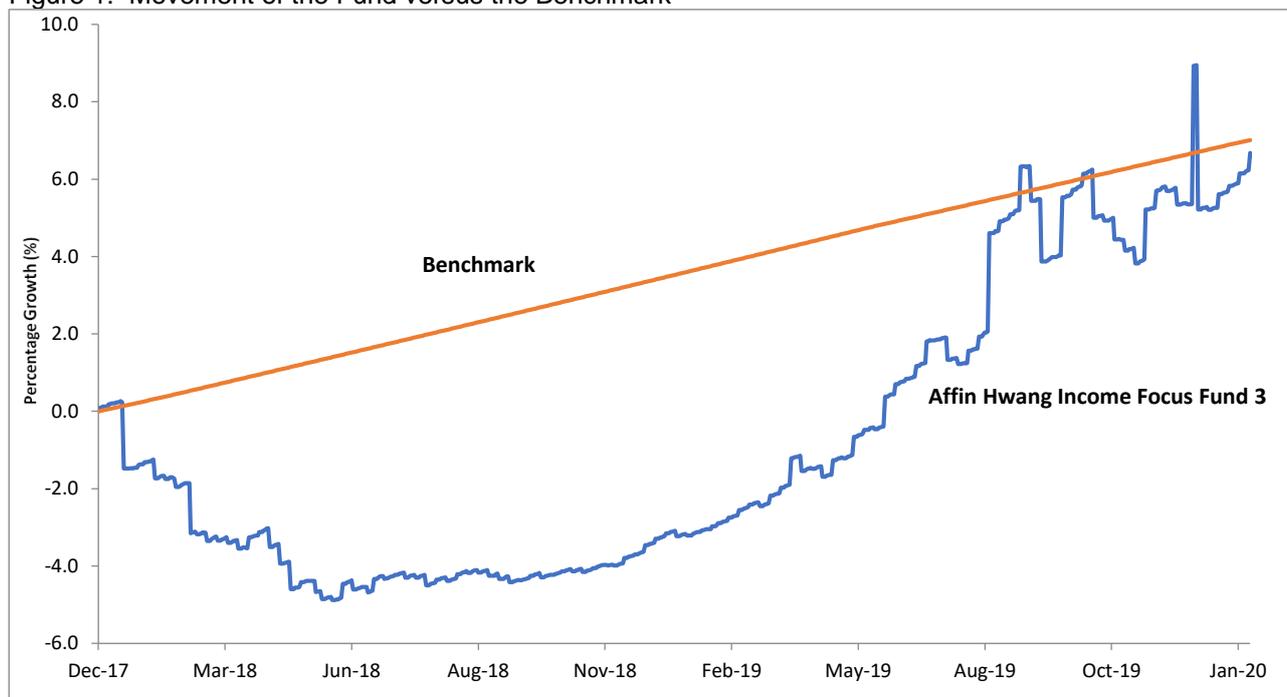
FUND PERFORMANCE DATA

Category	As at 31 Jan 2020	As at 31 Oct 2019
Total NAV (RM'million)	132.311	134.791
NAV per Unit (RM)	1.0307	1.0500
Unit in Circulation (million)	128.371	128.371

Table 1: Performance as at 31 January 2020

	3 Months (1/11/19 - 31/1/20)	6 Months (1/8/19 - 31/1/20)	1 Year (1/2/19 - 31/1/20)	Since Commencement (20/12/17 - 31/1/20)
Fund	1.60%	4.97%	10.04%	6.68%
Benchmark	0.77%	1.55%	3.17%	7.01%
Outperformance / (Underperformance)	0.83%	3.42%	6.87%	(0.33%)

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. Source of Benchmark: Bloomberg." Benchmark: 12-month Malayan Banking Berhad Fixed Deposit Rate

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 Jan 2020
	(%)
Cash & Money Market	100.00
Total	100.00

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 (1 November 2019 – 31 January 2020)

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 over the coronavirus outbreak that has claimed the lives of at least 300 people with rates of infection rapidly increasing.

Investors have been closely tracking the coronavirus outbreak to assess its potential impact to the economy as a result of wide scale city and factory shutdowns in China, as well as travel restriction bans. Global supply chains could see disruption due to stalled manufacturing activity; impacting markets like Taiwan and Korea which are heavily interlinked.

Meanwhile, the US-China trade war made some positive headway with the two countries signing a phase-one trade deal. US President Donald Trump and Chinese Vice Premier Liu He signed the pact that will roll back some tariffs as well as see Beijing boost purchases of US goods and services by US\$200 billion over two years. This include purchases of US agriculture products by US\$32 billion over the next two years by China.

The US will cut by half the tariff rate it imposed on September 1 on US\$120 billion worth of Chinese goods to 7.5%. Tariffs that were scheduled to go into effect on December 15 on nearly US\$160 billion worth of Chinese goods including electronics goods were suspended indefinitely. China's retaliatory December 15 tariffs including a 25.0% tariff on US-made autos were also suspended. However, US tariffs of 25.0% on US\$250 billion worth of Chinese goods put in place earlier will remain. These could be rolled back as part of a Phase 2 trade negotiation according to US Treasury Secretary Steven Mnuchin. Negotiations for the second phase of the trade deal is expected to commence before the presidential election in November.

On monetary policy, the US Federal Reserve ("Fed") kept its benchmark rates unchanged in its policy meeting, but extended its repo injection programme by two more months to June 2020. This has resulted in a surge in the Fed's balance sheet to above the US\$4 trillion mark. With US inflation currently hovering 0.7% below the Fed's target of 2.0%, consensus now expects the central bank to deliver two rate cuts in 2H'2020.

Meanwhile, the European Central Bank left monetary policy unchanged at a historic low of -0.5%, and announced the launched of a strategic review of its monetary policy strategy to assess if its inflation target is still appropriate.

Bank Negara Malaysia unexpectedly lowered its overnight policy rate by 25bps to 2.75% during its January meeting, its first interest rate cut since March 2019. The rate cut is expected to boost economic growth amid price stability.

Investment Outlook

Markets are drawing comparisons of the coronavirus outbreak to that of SARS (Severe Acute Respiratory Syndrome) in 2003, when the economy also came to a standstill at the height of the disease. However, the long-term impact of epidemics to significantly derail economic growth is transient and stock markets staged a quick recovery soon thereafter once the outbreak is contained.

The quick and measured response from Chinese authorities in containing the outbreak has also soothed fears, as authorities draw upon lessons from past outbreaks like SARS and MERS. Whilst we could see impact to China's 1Q'2020 GDP, additional fiscal and monetary support may cushion downside to its economy albeit with a lag effect.

While the temporary trade truce between US and China has allowed financial markets to stand on firmer ground as compared to 2018, President Trump's hardball negotiation tactics to claim more favourable terms – as reflected in the resurgence of tariff threats in late April 2019 – may spark a new phase of trade uncertainty. Though, the more synchronised dovish stance by central banks globally may help prop up markets to some extent.

The local market could see further weakness following a plunge in commodity prices such as crude oil and palm oil, as demand from China wanes due to the outbreak. On the flipside, glove makers lead gainers as expectations of rising healthcare demand would lift sales.

Nevertheless, the portfolio will continue its focus on consistent income returns and capital preservation by maintaining a high level of investment in domestic fixed deposits that we are comfortable with in respect of the underlying bank's credit and fundamentals.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2020**

	Financial period ended <u>31.1.2020</u> RM	Financial period ended <u>31.1.2019</u> RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	1,263,624	1,267,367
Interest income from financial assets at fair value through profit or loss	4,576,130	-
Net loss on foreign currency exchange	(3,793)	-
Net (loss)/gain on financial assets at fair value through profit	(3,731,263)	79,241
Exit fee income	-	470
	<u>2,104,698</u>	<u>1,347,078</u>
EXPENSES		
Trustee fee	(10,084)	(9,386)
Auditors' remuneration	(2,204)	(2,017)
Tax agent's fee	(771)	(882)
Other expenses	(1,494)	(487)
	<u>(14,553)</u>	<u>(12,772)</u>
NET PROFIT BEFORE TAXATION	2,090,145	1,334,306
TAXATION	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>2,090,145</u>	<u>1,334,306</u>
Net profit after taxation is made up of the following:		
Realised amount	5,821,408	1,255,065
Unrealised amount	(3,731,263)	79,241
	<u>2,090,145</u>	<u>1,334,306</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020**

	<u>2020</u> RM	<u>2019</u> RM
ASSETS		
Cash and cash equivalents	128,638,015	124,056,437
Financial assets at fair value through profit or loss	3,692,880	792,827
Tax recoverable	6,621	5,164
TOTAL ASSETS	<u>132,337,516</u>	<u>124,854,428</u>
LIABILITIES		
Amount due to Trustee	3,333	3,178
Auditors' remuneration	12,204	10,017
Tax agent's fee	5,671	5,782
Other payables and accruals	4,916	4,823
TOTAL LIABILITIES	<u>26,124</u>	<u>23,800</u>
NET ASSET VALUE OF THE FUND	<u>132,311,392</u>	<u>124,830,628</u>
EQUITY		
Unitholders' capital	128,373,181	128,759,307
Retained earnings/(accumulated losses)	3,938,211	(3,928,679)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>132,311,392</u>	<u>124,830,628</u>
NUMBER OF UNITS IN CIRCULATION	<u>128,371,000</u>	<u>128,759,000</u>
NET ASSET VALUE PER UNIT	<u>1.0307</u>	<u>0.9695</u>

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

	Unitholders' capital RM	Retained earnings/ (accumulated losses) RM	Total RM
Balance as at 1 November 2019	128,373,181	6,418,074	134,791,255
Total comprehensive income for the financial period	-	2,090,145	2,090,145
Distribution	-	(4,570,008)	(4,570,008)
Balance as at 31 January 2020	<u>128,373,181</u>	<u>3,938,211</u>	<u>132,311,392</u>
Balance as at 1 November 2018	128,769,000	(5,262,985)	123,506,015
Total comprehensive income for the financial period	-	1,334,306	1,334,306
Movement in unitholders' capital:			
Cancellation of units	(9,693)	-	(9,693)
Balance as at 31 January 2019	<u>128,759,307</u>	<u>(3,928,679)</u>	<u>124,830,628</u>

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