

Affin Hwang

Income Extra Fund

Quarterly Report
31 January 2021

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG INCOME EXTRA FUND

Quarterly Report and Financial Statements As at 31 January 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Income Extra Fund
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide investors with a steady income stream by investing in debentures, money market instruments and/or deposits
Benchmark	Maybank 1-month fixed deposit rate
Distribution Policy	Subject to the availability of income, the Fund will make distribution to the Unit Holders on quarterly basis. However, the amount of income available for distribution may fluctuate from year to year.

FUND PERFORMANCE DATA

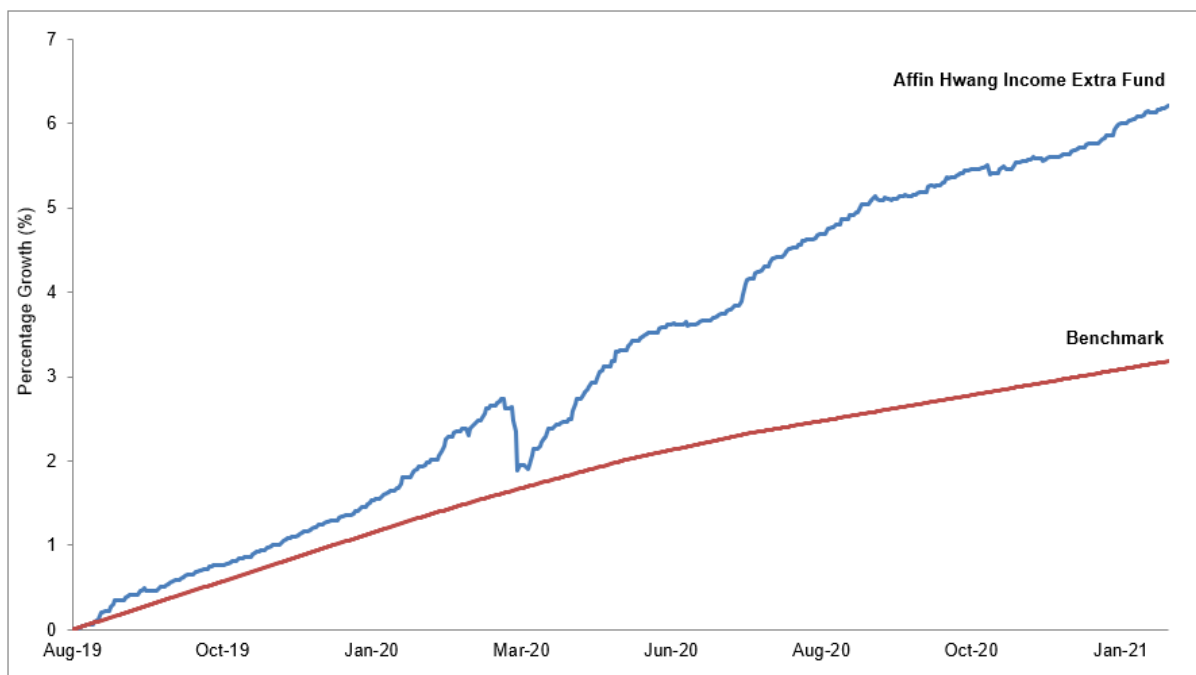
Category	As at 31 Jan 2021	As at 31 Oct 2020
Total NAV (RM'million)	317.849	315.410
NAV per Unit (RM)	1.0385	1.0376
Unit in Circulation (million)	307.075	303.972

Table 1: Performance as at 31 January 2021

	3 Months (1/11/20 - 31/1/21)	6 Months (1/8/20 - 31/1/21)	1 Year (1/2/20 - 31/1/21)	Since Commencement (16/8/19 - 31/1/21)
Fund	0.72%	1.63%	4.22%	6.23%
Benchmark	0.38%	0.75%	1.84%	3.19%
Outperformance	0.34%	0.88%	2.38%	3.04%

Source of Benchmark: Bloomberg

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 is from Bloomberg." Benchmark: Maybank 1-month 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:

	31 January 2021
	(%)
Fixed Income	73.40
Cash & money market	26.60
Total	100.00

Strategies Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both the domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

Market Review

Global equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. By the end of January however, we saw a divergence in equity performance as emerging markets ended the month higher compared to US markets which declined towards the end of the month.

At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. The market showed strong attention to the Biden administration's US\$ 1.9 trillion COVID-19 relief proposal in mid-January. However, a black swan event at the end of the month saw

retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs. This led to market jitters resulting in the S&P 500 closing 0.63% lower. Asian markets fared better, as the MSCI Asia ex-Japan index was up 4.48% in the month, largely ignoring the US retail frenzy and focusing instead on the region's improving economic conditions and gradual recovery, stemming from better pandemic controls.

Tensions between China and the US remain icy as Biden settles into the White House to handle domestic affairs and China moved forward to impose sanctions on Mike Pompeo and 27 other former officials who worked for the Trump administration.

Commodities saw strong returns in the month, buoyed by vaccination programs and normalization of the economy. The commodity market saw four consecutive weeks of increased market inflow, particularly across crude oil, grain & oilseed and livestock markets. With rallying commodity prices, talks about a commodity super cycle in 2021 have surfaced, stemming from increased Chinese demand and supportive stimulus boosting inflation expectations.

Malaysia Budget 2021 was announced in November, with an allocated RM 322.5 billion expenditure, with 26.5% of it coming from borrowings and use of government assets. 5.3% of this budget has been devoted to the Covid-19 fund. The KLCI ended 2020 with a 2.4% gain, buoyed by the liquidity-driven rally that was seen throughout the year.

Following from 2020's political overhang, Malaysia's Yang di-Pertuan Agong issued a Proclamation of Emergency, resulting in the implementation of MCO 2.0 as daily Covid-19 cases rose to four digits. Restrictions on movement were less stringent than the initial MCO from 2020, though inconsistent communication surrounding the restrictions resulted in some public confusion.

The PN government unveiled its fifth economic stimulus package, PERMAI, worth RM 15 billion. Market impact was neutral following the announcement, as the package was viewed largely as a safety net aimed at cushioning the downside impact of MCO 2.0's implementation, especially to more vulnerable sectors.

Malaysia's latest Consumer Price Index (CPI) came in at -1.4%. Despite this, trade numbers have been gradually increasing as global trade picks up. December 2020 saw Malaysia's exports rise 10.8% y-o-y and imports rebounding for the first time in 9 months by 1.6% y-o-y.

The Malaysian bond market saw an unwinding of "rate cut" bets at the end of January following BNM's announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rise whilst longer-tenured papers remained resilient. Market is of the expectation that central bank will cut rates in BNM's next meeting in March, but our in-house view views that the likelihood of a cut has decreased.

The primary market continues to see strong interest despite a strong supply outlook, with the auction of a 10-year MGS at a size of RM 4 billion that was 2.0x covered. Corporate issuances were slow in the month, up till the final week which saw Pengurusan Air SPB Berhad raise RM 8000 million across two Sukuk tranches of 7 and 15 years at 3.02% and 3.90% respectively. Both rated AAA. The corporate space is expected to pick up in the following months.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return following the low death rates despite the rise in infections. With most markets recovering the year's losses by December coincided with the release of Phase III clinical trial data for the vaccines, there is certainly light at the end of the tunnel for global markets.

Recovery plays will be the most obvious theme for the year improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. General market consensus suggests global GDP is down 5% in 2020, with an expected rebound of 5.4% in 2021 with the reopening of economies and growth returns.

January 2021's US employment report was less than stellar as nonfarm payrolls increased only by half of the market's initial consensus, which is worse when compared to the fact that it had already been revised down by 159,000 two months prior. The US labor market has some ways to go for recovery as Covid-19 cases continue to rise. Valuations in the American market are coming across as stretched as the S&P 500 surpasses

far beyond its historical P/E average of 15x -17x. It would not be farfetched to assume that correction will take place very soon.

Earnings momentum will continue in 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages. Liquidity conditions remain positive and with earnings visibility from Asian companies that are riding along a China-led economic recovery, Asia continues to be an ocean of growth potential as the region continues to grow.

Lack of communication between US and China will only prolong market instability. We expect dialogue to resume shortly but given Biden is taking a more assertive stance, markets will remain largely sensitive to any indication of deteriorating relations. Both countries will have to be pragmatic in their approach as cooler heads prevail.

Economic recovery continues to be delayed by Covid-19 as cases surge throughout the country/ From a bottom-up perspective, the domestic focus will be on the recovery beneficiaries and exporters in the technology and EMS segment which have strong earnings visibility in the near term as well increasing demand. Political risk has been delayed with the declaration of state of emergency until August 2021

Fund flows continue to pour in, following 2020's trend which began in the month of March. In the US, long-term mutual funds and exchange-traded funds picked up US\$95 billion in new assets. ESG funds have also been gathering plenty of interest and we will expect this investor shift to ESG-focused funds to be more commonplace across the industry.

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

	Financial period ended 31.1.2021 RM	Financial period ended 31.1.2020 RM
INVESTMENT INCOME		
Interest income from financial asset at amortised cost	872,892	1,126,150
Interest income from financial asset at fair value through profit or loss	6,286,621	1,864,907
Net gain on financial assets at fair value through profit or loss	1,775,304	746,163
	<u>8,934,817</u>	<u>3,737,220</u>
EXPENSES		
Management fee	(709,715)	(267,915)
Trustee fee	(85,553)	(33,048)
Fund accounting fee	(9,000)	-
Auditors' remuneration	(6,050)	(5,220)
Tax agent's fee	(2,647)	(2,283)
Other expenses	(4,966)	(2,320)
	<u>(817,931)</u>	<u>(310,786)</u>
NET PROFIT BEFORE TAXATION	8,116,886	3,426,434
Taxation	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>8,116,886</u>	<u>3,426,434</u>
Net profit after taxation is made up of the following:		
Realised amount	7,869,806	2,721,852
Unrealised amount	247,080	704,582
	<u>8,116,886</u>	<u>3,426,434</u>

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2021

	<u>2021</u> RM	<u>2020</u> RM
ASSETS		
Cash and cash equivalents	72,609,823	69,586,681
Financial assets at fair value through profit or loss	245,456,483	188,456,961
TOTAL ASSETS	<u>318,066,306</u>	<u>258,043,642</u>
LIABILITIES		
Amount due to Manager		
- management fee	195,383	76,264
Amount due to Trustee	10,822	8,716
Amount due to broker	-	5,210,074
Auditors' remuneration	6,050	5,220
Tax agent's fee	2,647	2,283
Other payables and accruals	2,427	1,002
TOTAL LIABILITIES	<u>217,329</u>	<u>5,303,559</u>
NET ASSET VALUE OF THE FUND	<u>317,848,977</u>	<u>252,740,083</u>
EQUITY		
Unitholders' capital	309,719,010	249,313,649
Retained earnings	8,129,967	3,426,434
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>317,848,977</u>	<u>252,740,083</u>
NUMBER OF UNITS IN CIRCULATION	<u>306,075,000</u>	<u>247,955,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>1.0385</u>	<u>1.0193</u>

AFFIN HWANG INCOME EXTRA FUND

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2020	213,524,367	6,236,581	219,760,948
Total comprehensive income for the financial period	-	8,116,886	8,116,886
Distributions	-	(6,223,500)	(6,223,500)
Movement in unitholders' capital:			
Creation of units arising from applications	209,299,783	-	209,299,783
Creation of units arising from distributions	6,203,038	-	6,203,038
Cancellation of units	(119,308,178)	-	(119,308,178)
Balance as at 31 January 2021	<u>309,719,010</u>	<u>8,129,967</u>	<u>317,848,977</u>
Balance as at 29 July 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	3,426,434	3,426,434
Movement in unitholders' capital:			
Creation of units arising from applications	327,574,307	-	327,574,307
Cancellation of units	(78,260,658)	-	(78,260,658)
Balance as at 31 January 2020	<u>249,313,649</u>	<u>3,426,434</u>	<u>252,740,083</u>

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