Affin Hwang
Income Extra Fund

Quarterly Report
31 January 2022

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 2022

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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

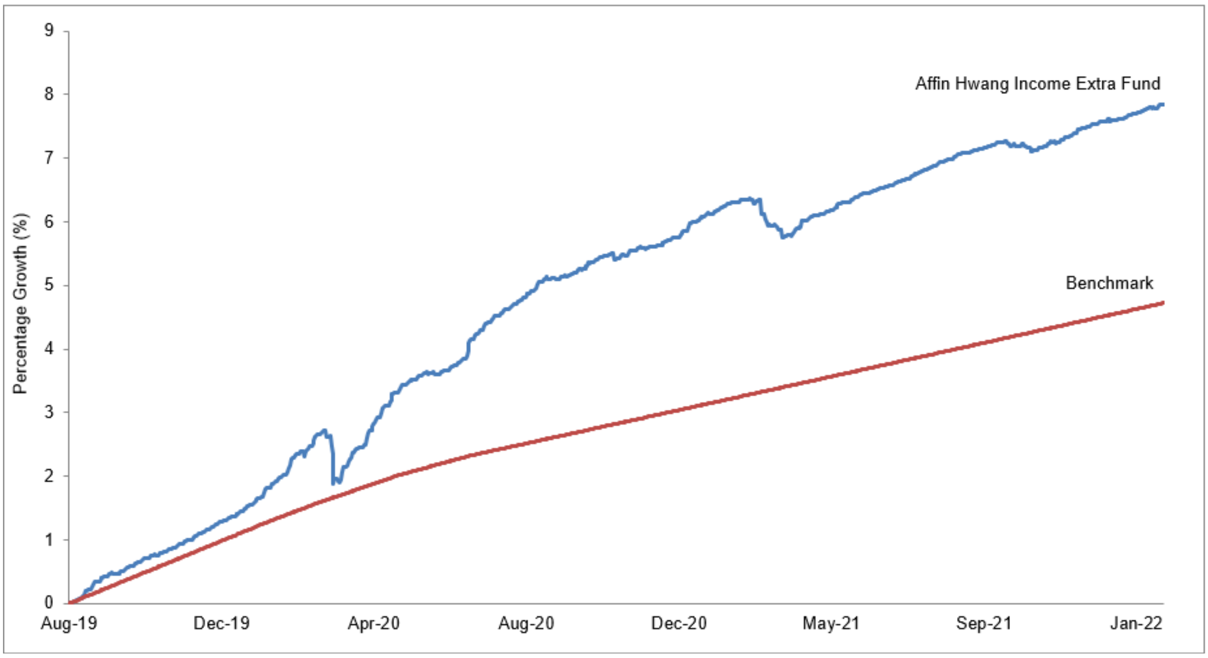
Category	**As at 31 Jan 2022**	**As at 31 Oct 2021**
Total NAV (RM'million)	677.231	604.795
NAV per Unit (RM)	1.0305	1.0307
Unit in Circulation (million)	657.205	586.775

Table 1: Performance as at 31 January 2022

	3 Months (1/11/21 - 31/1/22)	**6 Months (1/8/21 - 31/1/22)**	**1 Year (1/2/21 - 31/1/22)**	**Since Commencement (16/8/19 - 31/1/22)**
Fund	**0.56%**	**0.87%**	**1.54%**	**7.87%**
Benchmark	**0.38%**	**0.75%**	**1.50%**	**4.74%**
Outperformance	**0.18%**	**0.12%**	**0.04%**	**3.13%**

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 2022
	(%)
Fixed Income	45.96
Cash & money market	54.04
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 buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitionary and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The appointment provided some clarity by resolving the political impasse following the resignation of Tan Sri Muhyiddin Yassin who faced a turbulent tenure due to the mishandling of the pandemic as well as a rare royal rebuke.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market saw support on the back of easing policy headwinds as investors also price-in better growth prospects.

Coming into January 2022, the local market mirrored regional movements with the benchmark KLCI closing 3.5% lower during the month as a deepening tech rout dampened sentiment. Bursa Malaysia Technology Index slid by 15.3% in January as the sector was rattled by the Fed's hawkish pivot.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

Market environment is challenging given rising rates, slowing growth and waning earnings expectations. The key indicators of policies, growth and earnings have not inflected. That said, the positives are that valuations have become less excessive and sentiments have turned bearish.

Russia-Ukraine tension is also weighing on sentiments. However, history suggest that the market impact from geopolitical events tend to be short. Moving forward, we expect markets to shift the focus back to tighter monetary conditions and slowing growth.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation, a less hawkish Fed policy, and subside Russia-Ukraine tension as potential turnarounds for the market to improve.

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2022

	Financial period ended 31.1.2022 RM	Financial period ended 31.1.2021 RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	3,076,571	872,892
Interest income from financial assets at fair value through profit or loss	7,688,932	6,286,621
Net (loss)/gain on financial assets at fair value through profit or loss	(966,207)	1,775,304
	9,799,296	8,934,817
EXPENSES		
Management fee	(1,429,024)	(709,715)
Trustee fee	(163,567)	(85,553)
Fund accounting fee	(9,000)	(9,000)
Auditors' remuneration	(6,050)	(6,050)
Tax agent's fee	(2,647)	(2,647)
Other expenses	(5,278)	(4,966)
	(1,615,566)	(817,931)
NET PROFIT BEFORE TAXATION	8,183,730	8,116,886
Taxation	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	8,183,730	8,116,886
Net profit after taxation is made up of the following:		
Realised amount	10,776,264	7,869,806
Unrealised amount	(2,592,534)	247,080
	8,183,730	8,116,886

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2022

	2022	2021
	RM	RM
ASSETS		
Cash and cash equivalents	353,513,086	72,609,823
Financial assets at fair value through profit or loss	323,925,633	245,456,483
TOTAL ASSETS	677,438,719	318,066,306
LIABILITIES		
Amount due to Manager		
- management fee	175,488	195,383
Amount due to Trustee	20,056	10,822
Auditors' remuneration	6,050	6,050
Tax agent's fee	2,647	2,647
Other payables and accruals	3,340	2,427
TOTAL LIABILITIES	207,581	217,329
NET ASSET VALUE OF THE FUND	677,231,138	317,848,977
EQUITY		
Unitholders' capital	672,538,673	309,719,010
Retained earnings	4,692,465	8,129,967
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	677,231,138	317,848,977
NUMBER OF UNITS IN CIRCULATION	657,205,000	306,075,000
NET ASSET VALUE PER UNIT (RM)	1.0305	1.0385

AFFIN HWANG INCOME EXTRA FUND

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2022

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 May 2021	307,650,335	6,625,191	314,275,526
Total comprehensive income for the financial period	-	8,183,730	8,183,730
Distributions	-	(10,116,456)	(10,116,456)
Movement in unitholders' capital:			
Creation of units arising from applications	611,032,965	-	611,032,965
Creation of units arising from distributions	9,754,020	-	9,754,020
Cancellation of units	(255,898,647)	-	(255,898,647)
Balance as at 31 January 2022	672,538,673	4,692,465	677,231,138
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	309,719,010	8,129,967	317,848,977

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