

18M ENHANCED INCOME FUND 1

Quarterly Report
31 October 2019

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



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18M ENHANCED INCOME FUND 1

Quarterly Report and Financial Statements As at 31 October 2019

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	18M Enhanced Income Fund 1
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	Eighteen (18) months close-ended Fund
Termination Date	16 December 2019
Benchmark	12-Month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on the Maturity Date

Performance Review

For the period under review from 1 August 2019 to 31 October 2019, the Fund has registered a return of 0.37%. Compared to the Benchmark return of 0.83%, the Fund thus underperformed its Benchmark by 0.46%. The Net Asset Value (NAV) per Unit of the Fund as at 31 October 2019 was RM1.0823 while the NAV per Unit as at 31 July 2019 was RM1.0783. On total NAV basis, the Fund's NAV stood at RM233.869 million as at 31 October 2019 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Table 1: Performance as at 31 October 2019

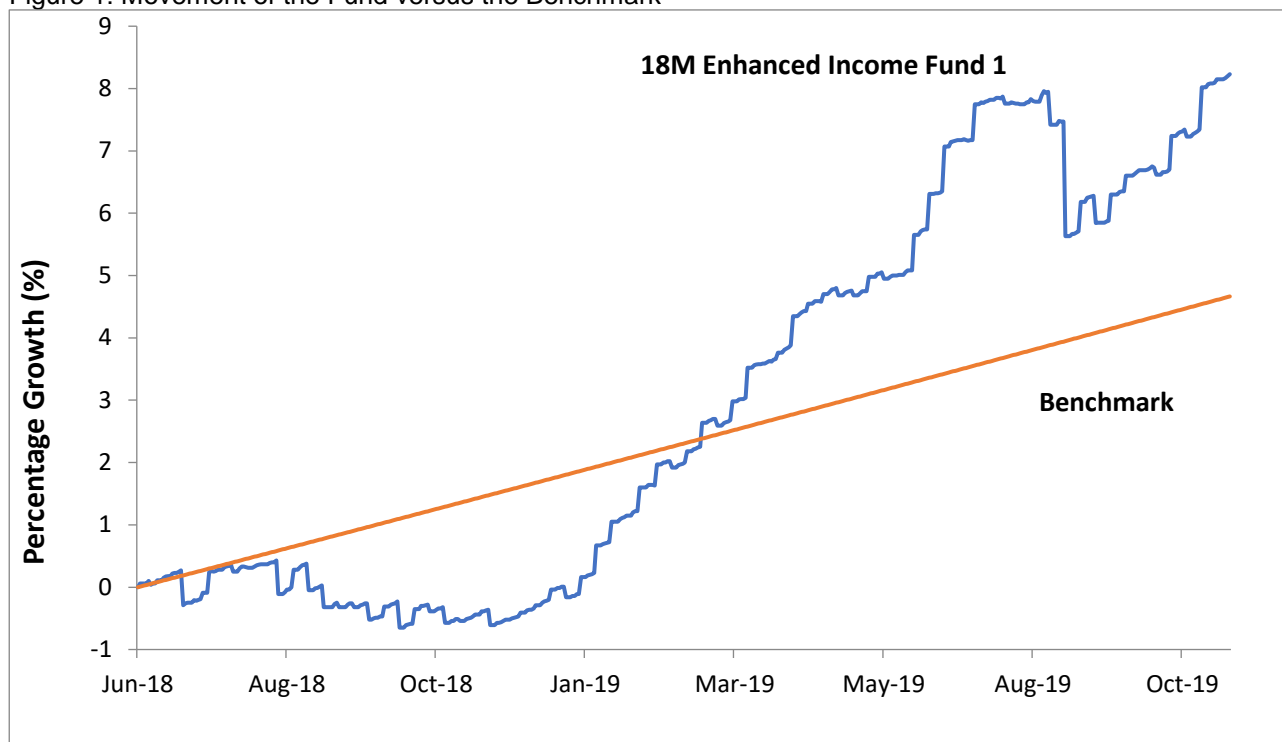
	3 Months (1/8/19 - 31/10/19)	6 Months (1/5/19 - 31/10/19)	1 Year (1/11/18 - 31/10/19)	Since Commencement (14/6/18 - 31/10/19)
Fund	0.37%	3.29%	8.60%	8.23%
Benchmark	0.83%	1.67%	3.35%	4.66%
Outperformance / (Underperformance)	(0.46%)	1.62%	5.25%	3.57%

Table 2: Volatility as at 31 October 2019

	3 Year
Fund	N/A

The data for a 3-year annualized volatility as at 31 October 2019 is not available as the Fund has yet to record 3 years of performance data. A 3-year annualized volatility is a global standard used to report on Fund volatility as shorter time period would not provide a stable representation as well as being too sensitive to additional data points.

Figure 1: Movement of the Fund versus the Benchmark



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 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 Oct 2019	31 Jul 2019	30 Apr 2019
	(%)	(%)	(%)
Cash & money market	100.00	100.00	100.00
Total	100.00	100.00	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.

The Fund also holds a small exposure in options and swaps for potential capital appreciation.

Market Review

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. However, the Fed delivered another widely expected 25bps rate cut at its policy meeting in September and October before Fed Chair Jerome Powell stopped short from guiding expectations of further easing indicating that 'monetary policy was in a good place'. The FOMC also dropped the use of the phrase 'act as appropriate' which markets took as a signal that the Fed would likely stay on hold for now.

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse. However things took a turn in October as markets were buoyed by positive trade developments and synchronised monetary easing by global central banks.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

Investment Outlook

The global economy is poised to continue to grow at an even keel albeit at a slower pace. We do not see major economic imbalances that would lead to a recession in the immediate term. That said, as we head into a late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective.

Whilst the partial trade deal helped provide a lift in sentiment, the temporary trade truce could be easily upended as seen before. Structural issues and more challenging areas in negotiations such as intellectual property and technology transfer has not been addressed yet. The last mile negotiations in the trade talks would be the most critical to look out for. The overall macro environment remains weak as global economies are still showing weak data.

Going forward, we believe there is limited room for further monetary policy easing given already low interest rates. Central banks are more inclined to “save some bullets” for future, i.e. in the event whereby a recession materialises, as well as adopting a “wait-and-see” approach to assess impact post recent rate cuts. Therefore, expectations are that global interest rates are close to bottoming out in the near term. Having said that, we do not foresee central banks reverting to an interest rate hike cycle anytime soon. The biggest risks (both upside and downside) to my view would be ongoing trade negotiations and US inflation.

The Budget 2020 placed a lot more emphasis on job creation and shifted away from the outright disbursement of large cash handouts and subsidies as seen in prior budgets before. In terms of impact, the budget was market-neutral with no immediate catalysts that could drive Bursa higher for now.

However, the absence of any pump-priming measures or announcement of mega infrastructure projects came as a disappointment to the construction sector. The consumer sector could benefit incrementally over time as the trickle-down effects of job creation, allocation for subsidies and social subsidies to address high cost of living and low income levels spur consumption.

18M ENHANCED INCOME FUND 1

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	Financial period ended 31.10.2019 RM	Financial period ended 31.10.2018 RM
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	4,408,121	3,501,051
Net gain/(loss) on financial assets at fair value through profit or loss	3,115,326	(4,190,525)
Exit fee income	5,228	2,988
	<u>7,528,675</u>	<u>(686,486)</u>
EXPENSES		
Trustee fee	(46,378)	(34,970)
Auditors' remuneration	(8,356)	(4,361)
Tax agent's fee	(2,924)	(1,963)
Other expenses	(2,045)	(1,391)
	<u>(59,703)</u>	<u>(42,685)</u>
NET PROFIT/(LOSS) BEFORE TAXATION	7,468,972	(729,171)
TAXATION	<u>(309)</u>	<u>(500)</u>
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>7,468,663</u>	<u>(729,671)</u>
Net profit/(loss) after taxation is made up of the following:		
Realised amount	4,353,338	3,537,099
Unrealised amount	3,115,325	(4,266,770)
	<u>7,468,663</u>	<u>(729,671)</u>

18M ENHANCED INCOME FUND 1

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

	<u>2019</u> RM	<u>2018</u> RM
ASSETS		
Cash and cash equivalent	5,915	211,959,127
Deposits with a licensed financial institution	220,033,690	10,694
Financial asset at fair value through profit or loss	13,895,993	4,047,723
Tax recoverable	2,471	-
TOTAL ASSETS	<u>233,938,069</u>	<u>216,017,544</u>
LIABILITIES		
Amount due to Trustee	53,801	7,334
Auditors' remuneration	8,356	4,361
Tax agent's fee	7,424	1,963
Other payables and accruals	(101)	131
Provision for taxation	-	500
TOTAL LIABILITIES	<u>69,480</u>	<u>14,289</u>
NET ASSET VALUE OF THE FUND	<u>233,868,589</u>	<u>216,003,255</u>
EQUITY		
Unitholders' capital	216,049,240	216,732,926
Retained earnings/(accumulated losses)	17,819,349	(729,671)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>233,868,589</u>	<u>216,003,255</u>
NUMBER OF UNITS IN CIRCULATION	<u>216,085,000</u>	<u>216,733,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>1.0823</u>	<u>0.9966</u>

18M ENHANCED INCOME FUND 1

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	Unitholders' <u>capital</u> RM	(Accumulated losses)/ retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 01 May 2019	216,503,099	10,350,686	226,853,785
Total comprehensive income for the financial period	-	7,468,663	7,468,663
Movement in unitholders' capital:			
Cancellation of units	(453,859)	-	(453,859)
Balance as at 31 October 2019	<u>216,049,240</u>	<u>17,819,349</u>	<u>233,868,589</u>
Balance as at 16 May 2018 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(729,671)	(729,671)
Movement in unitholders' capital:			
Creation of units arising from applications	216,794,000	-	216,794,000
Cancellation of units	(61,074)	-	(61,074)
Balance as at 31 October 2018	<u>216,732,926</u>	<u>(729,671)</u>	<u>216,003,255</u>

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