

# Affin Hwang

## Absolute Return Fund III

Quarterly Report  
31 March 2020

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
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# AFFIN HWANG ABSOLUTE RETURN FUND III

## Quarterly Report and Financial Statements As at 31 March 2020

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## QUARTERLY REPORT

### FUND INFORMATION

Fund Name	Affin Hwang Absolute Return Fund III
Fund Type	Growth
Fund Category	Mixed Assets (Wholesale)
Investment Objective	The Fund seeks to provide Unit Holders with long-term capital appreciation
Benchmark	8.0% per annum
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate

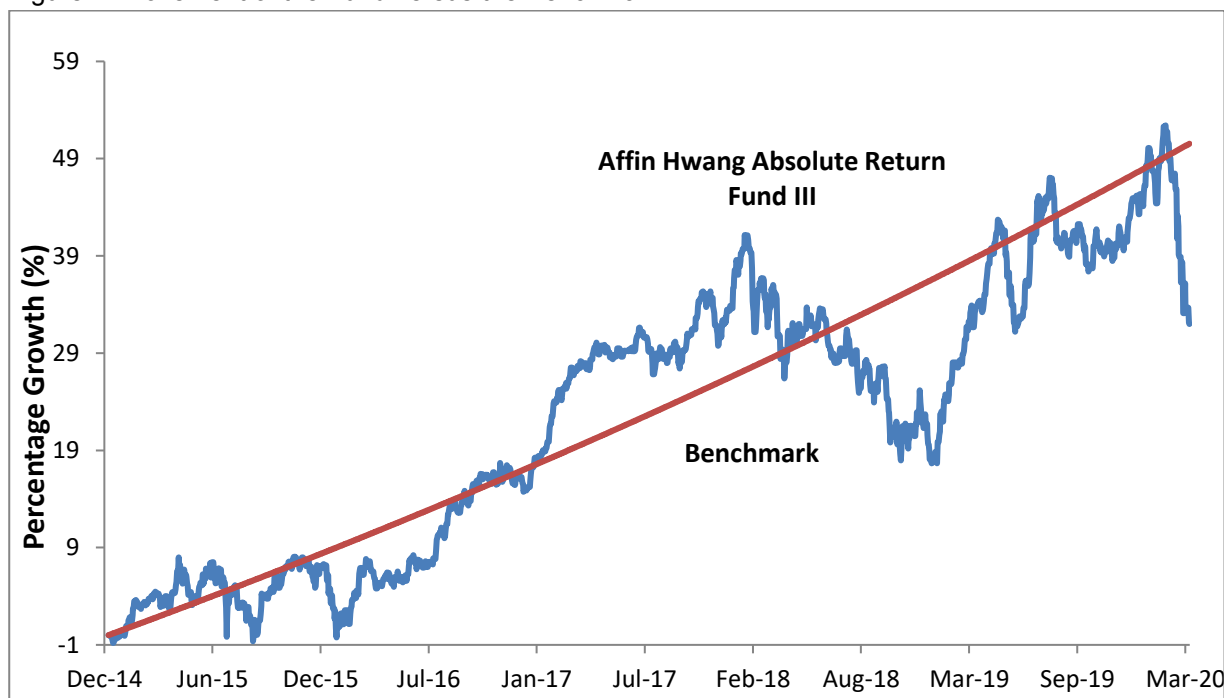
### FUND PERFORMANCE DATA

Category	As at 31 Mar 2020	As at 31 Dec 2019
Total NAV (RM'million)	82.270	89.287
NAV per Unit (RM)	0.6599	0.7164
Unit in Circulation (million)	124.676	124.640

Table 1: Performance as at 31 March 2020

	<b>3 Months</b> (1/1/20 - 31/3/20)	<b>6 Months</b> (1/10/19 - 31/3/20)	<b>1 Year</b> (1/4/19 - 31/3/20)	<b>3 Years</b> (1/4/17 - 31/3/20)	<b>5 Years</b> (1/4/15 - 31/3/20)	<b>Since Commencement</b> (9/12/14 - 31/3/20)
<b>Fund</b>	<b>(7.89%)</b>	<b>(4.38%)</b>	<b>(2.25%)</b>	<b>3.55%</b>	<b>26.93%</b>	<b>31.98%</b>
<b>Benchmark</b>	<b>1.94%</b>	<b>3.93%</b>	<b>8.02%</b>	<b>26.00%</b>	<b>46.99%</b>	<b>50.54%</b>
<b>Outperformance / (Underperformance)</b>	<b>(9.83%)</b>	<b>(8.31%)</b>	<b>(10.27%)</b>	<b>(22.45%)</b>	<b>(20.06%)</b>	<b>(18.56%)</b>

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."*

Benchmark: Absolute Return 8%

**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:

	<b>31 March 2020</b>
	<b>(%)</b>
Equity	77.62
Unit Trust	3.46
Derivatives	-0.65
Cash & money market	19.57
<b>Total</b>	<b>100.00</b>

### **Strategies Employed**

The Fund maintained its objective of providing its investors with long-term capital appreciation.

With the return of volatility in markets, the Manager maintained some level of cash holdings and will redeploy into the market with a focus on quality should market opportunity arises.

### **Market Review**

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

The global equities trended even lower in February as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCIA Asia ex-Japan index fell 2.9%.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. The global death toll caused by the pandemic surpassed 50,000 as at end of March. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy.

The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China. The number of confirmed Covid-19 cases in the US exceeded the grim 100,000 mark as testing is ramped-up in the country and the administration begins to acknowledge the severity of the outbreak and impose more drastic lockdown measures.

On monetary policy, the US Federal Reserve ("Fed") kept its benchmark rates unchanged in its policy meeting in January, 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%.

On the domestic front, the benchmark KLCI fell by 3% in February as the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

The local market suffered losses with the benchmark KLCI closing 8.9% lower in March as pandemic fears gripped the country with cases continuing to rise. Malaysia has the highest number of known infections in Southeast Asia with more than 3,000 confirmed cases in the country at the time of writing.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises ("SMEs") and RM2 billion to strengthen the country's economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others.

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

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**

Whilst we see unprecedented steps taken by governments and global central banks to stimulate the economy and provide liquidity, such measures are unlikely to fuel a full recovery as we are dealing with a global pandemic that has caused economies to come to a virtual standstill. Cutting interest rates, injecting liquidity or even putting money directly in the hands of consumers is unlikely to lead to its desired effects if people's health are at stake.

Any signs of a peak in the pandemic can fuel a gradual recovery in markets. However, it is crucial to monitor any risk of a second wave or reacceleration in infection rates especially countries that have passed its peak like South Korea and China.

In Asia, we continue to see a resumption of activities in China where the coronavirus was first detected. Almost all factories have reopened as lockdowns are gradually lifted in the country. However, the utilisation rates have yet to return to full scale, perhaps due to a lack of demand and strict social distancing measures in place that prevent factories from operating at full capacity. Recent reports also point to most hotels and tourist sites reopening in China. There has also been a marked recovery in automobile sales.

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

	Financial period ended <u>31.3.2020</u> RM	Financial period ended <u>31.3.2019</u> RM
<b>INVESTMENT (LOSS)/INCOME</b>		
Dividend income	1,167,844	1,842,158
Interest income from financial assets at amortised cost	68,027	33,020
Interest income from financial assets at fair value through profit or loss	1,953	196,949
Net gain on foreign currency exchange	1,791,417	467,673
Net (loss)/gain on forward foreign currency contract at fair value through profit or loss	(1,409,394)	573,094
Net loss on futures at fair value through profit profit or loss	(1,152,428)	-
Net (loss)/gain on financial assets at fair value through profit or loss	(5,448,338)	1,623,527
	<u>(4,980,919)</u>	<u>4,736,421</u>
<b>EXPENSES</b>		
Management fee	(654,889)	(727,974)
Trustee fee	(36,502)	(41,133)
Auditors' remuneration	(6,762)	(6,757)
Tax agent's fee	(2,629)	(5,414)
Fund accounting fee	(1,000)	-
Transaction costs	(321,655)	(366,199)
Other expenses	(60,466)	(36,253)
	<u>(1,083,903)</u>	<u>(1,183,730)</u>
<b>NET (LOSS)/PROFIT BEFORE TAXATION</b>	(6,064,822)	3,552,691
<b>TAXATION</b>	-	(86,421)
<b>NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD</b>	<u>(6,064,822)</u>	<u>3,466,270</u>
Net (loss)/profit after taxation is made up of the following:		
Realised amount	31,651	(5,926,814)
Unrealised amount	(6,096,473)	9,393,084
	<u>(6,064,822)</u>	<u>3,466,270</u>

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

	<u>2020</u> RM	<u>2019</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	17,415,311	10,564,032
Margin accounts	4,715,111	-
Financial assets at fair value through profit or loss	60,703,030	87,725,943
Futures at fair value through profit or loss	98,901	-
Dividend receivables	142,652	226,663
Amount due from Manager - management fee rebate receivable	343	-
Tax recoverable	-	3,615
<b>TOTAL ASSETS</b>	<u>83,075,348</u>	<u>98,520,253</u>
<b>LIABILITIES</b>		
Futures at fair value through profit or loss	582,161	-
Forward foreign currency contracts at fair value through profit or loss	-	39,420
Amount due to Manager - management fee	194,035	82,183
- cancellation of units	-	1,539,941
Amount due to Trustee	4,151	4,539
Amount due to brokers	-	708,684
Auditors' remuneration	6,762	6,757
Tax agent's fee	7,145	6,478
Other payables and accruals	11,213	10,722
<b>TOTAL LIABILITIES</b>	<u>805,467</u>	<u>2,398,724</u>
<b>NET ASSET VALUE OF THE FUND</b>	<u>82,269,881</u>	<u>96,121,529</u>
<b>EQUITY</b>		
Unitholders' capital	69,045,363	81,217,448
Retained earnings	13,224,518	14,904,081
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>82,269,881</u>	<u>96,121,529</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<u>124,676,000</u>	<u>142,383,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<u>0.6599</u>	<u>0.6751</u>



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

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 July 2019	71,914,539	19,289,340	91,203,879
Total comprehensive loss for the financial period	-	(6,064,822)	(6,064,822)
Movement in unitholders' capital:			
Creation of units arising from applications	16,560,200	-	16,560,200
Cancellation of units	(19,429,376)	-	(19,429,375)
Balance as at 31 March 2020	<u>69,045,363</u>	<u>13,224,518</u>	<u>82,269,881</u>
Balance as at 1 July 2018	104,593,665	11,437,811	116,031,476
Total comprehensive income for the financial period	-	3,466,270	3,466,270
Movement in unitholders' capital:			
Creation of units arising from applications	1,496,025	-	1,496,025
Cancellation of units	(24,872,242)	-	(24,872,242)
Balance as at 31 March 2019	<u>81,217,448</u>	<u>14,904,081</u>	<u>96,121,529</u>

[www.affinhwangam.com](http://www.affinhwangam.com)

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