

Affin Hwang

Absolute Return Fund III

Quarterly Report
31 March 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 ABSOLUTE RETURN FUND III

Quarterly Report and Financial Statements As at 31 March 2021

Contents	Page
QUARTERLY REPORT	2
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN EQUITY	8

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

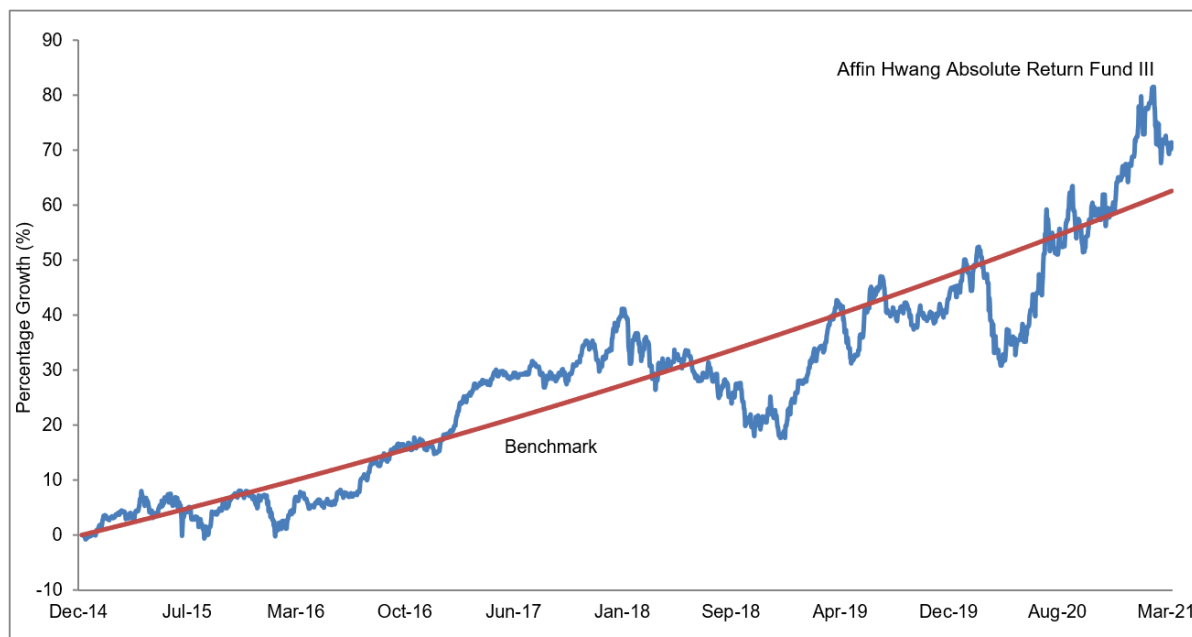
FUND PERFORMANCE DATA

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (RM'million)	138.946	133.230
NAV per Unit (RM)	0.8532	0.8372
Unit in Circulation (million)	162.862	159.131

Performance as at 31 March 2021

	3 Months (1/1/21 - 31/3/21)	6 Months (1/10/20 - 31/3/21)	1 Year (1/4/20 - 31/3/21)	3 Years (1/4/18 - 31/3/21)	5 Years (1/4/16 - 31/3/21)	Since Commencement (9/12/14 - 31/3/21)
Fund	1.91%	10.63%	29.29%	31.91%	62.14%	70.64%
Benchmark	1.92%	3.91%	8.00%	26.00%	46.96%	62.58%
Outperformance	(0.01%)	6.72%	21.29%	5.91%	15.18%	8.06%

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: 8.0% per annum

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 March 2021
	(%)
Equity	83.83
Unit Trust	0.45
Cash & money market	15.72
Total	100.00

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 equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. 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.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and “stay at home” trades, which are now facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the month.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. The S&P 500 index rose 4.4% higher as the latest US labour data showed signs of a rebound. In Asia, the MSCI Asia ex-Japan index fell 2.5% as increased regulatory scrutiny prompted a selloff in Chinese technology stocks. The Hong Kong Hang Seng index dropped 1.8% in March. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets.

Commodities saw strong returns in January, buoyed by vaccination programs and normalization of the economy. The commodity market saw multiple consecutive weeks of increased market inflow, particularly across crude oil, grain & oilseed, and livestock markets. This rally continued in February, as copper saw its largest monthly gain in over four years and oil prices hitting new one-year highs. The S&P GSCI posted a return on 14.15% in the quarter.

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.

Malaysia's Consumer Price Index (CPI) came in at 122.5 in February 2021, a marginal increase of 0.1% from January 2021. 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. This positive momentum continued in January 2021, with exports expanding by 6.6% y-o-y to RM 89.6 billion. Imports saw the same trend, increasing by 1.3% y-o-y.

In February and March, the local equity market's performance was muted relative to regional peers, gaining by 0.8% and 1.0% in the respective months. February was also results season in the local market, with the tech sector largely reporting earnings beat on the back of robust demand. Meanwhile, Finance Minister Tengku Zafrul clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government is mulling new taxes to widen its revenue base once the economy is on a more stable footing.

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 that month.

Yields trended higher in tandem with US treasury movement in the quarter. Undoubtedly, the performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-Lestari programme. However, we were seeing some demand returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

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. Recovery plays will be the most obvious theme for the year of improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. We have already seen the rotation from growth to value take place in the start of 2021.

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.

Back home, 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.

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. The Biden administration's foray into building stronger climate change initiatives also signals a shift for the investment industry as this will generate more opportunities across asset classes. The wider implications of this on the economy will take time to materialise, but will continue to be observed.

AFFIN HWANG ABSOLUTE RETURN FUND III

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

	Financial period ended 31.3.2021 RM	Financial period ended 31.3.2020 RM
INVESTMENT INCOME/(LOSS)		
Dividend income	1,208,163	1,167,844
Interest income from financial assets at amortised cost	54,665	68,027
Interest income from financial assets at fair value through profit or loss	12,222	1,953
Net (loss)/gain on foreign currency exchange	(839,637)	1,791,417
Net loss on forward foreign currency contracts at fair value through profit or loss	-	(1,409,394)
Net loss on futures at fair value through profit or loss	-	(1,152,428)
Net gain/(loss) on financial assets at fair value through profit or loss	22,987,050	(5,448,338)
	<u>23,422,463</u>	<u>(4,980,919)</u>
EXPENSES		
Management fee	(936,395)	(654,889)
Trustee fee	(51,530)	(36,502)
Fund accounting fee	(9,000)	(1,000)
Performance fee	(2,825,276)	-
Auditors' remuneration	(6,757)	(6,762)
Tax agent's fee	(2,628)	(2,629)
Transaction costs	(754,889)	(321,655)
Other expenses	(157,152)	(60,466)
	<u>(4,743,627)</u>	<u>(1,083,903)</u>
NET PROFIT/(LOSS) BEFORE TAXATION	18,678,836	(6,064,822)
Taxation	-	-
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>18,678,836</u>	<u>(6,064,822)</u>
Net profit/(loss) after taxation is made up of the following:		
Realised amount	17,601,605	31,651
Unrealised amount	1,077,231	(6,096,473)
	<u>18,678,836</u>	<u>(6,064,822)</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	<u>2021</u> RM	<u>2020</u> RM
ASSETS		
Cash and cash equivalents	24,591,796	17,415,311
Margin account	-	4,715,111
Amount due from Manager		
- management fee rebate receivable	-	343
Dividend receivables	219,713	142,652
Financial assets at fair value through profit or loss	117,105,331	60,703,030
Futures at fair value through profit or loss	-	98,901
TOTAL ASSETS	<u>141,916,840</u>	<u>83,075,348</u>
LIABILITIES		
Futures at fair value through profit or loss	-	582,161
Amount due to Manager		
- management fee	120,172	194,035
Amount due to Trustee	6,480	4,151
Performance fee payables	2,825,276	-
Auditors' remuneration	6,757	6,762
Tax agent's fee	601	7,145
Other payables and accruals	11,363	11,213
TOTAL LIABILITIES	<u>2,970,649</u>	<u>805,467</u>
NET ASSET VALUE OF THE FUND	<u>138,946,191</u>	<u>82,269,881</u>
EQUITY		
Unitholders' capital	97,970,739	69,045,363
Retained earnings	40,975,452	13,224,518
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>138,946,191</u>	<u>82,269,881</u>
NUMBER OF UNITS IN CIRCULATION	<u>162,862,000</u>	<u>124,676,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.8532</u>	<u>0.6599</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 July 2020	79,701,483	22,296,616	101,998,099
Total comprehensive income for the financial period	-	18,678,836	18,678,836
Movement in unitholders' capital:			
Creation of units arising from applications	25,953,574	-	25,953,574
Cancellation of units	(7,684,318)	-	(7,684,318)
Balance as at 31 March 2021	<u>97,970,739</u>	<u>40,975,452</u>	<u>138,946,191</u>
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)	-	(19,429,376)
Balance as at 31 March 2020	<u>69,045,363</u>	<u>13,224,518</u>	<u>82,269,881</u>

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)