Affin Hwang World Series - Global Equity Fund

Quarterly Report
31 March 2021

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

AFFIN HWANG
CAPITAL

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

TRUSTEE
Deutsche Trustees Malaysia Berhad (763590-H)

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

Quarterly Report and Financial Statements
As at 31 March 2021

Contents	Page

QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Equity Fund
Fund Type	Growth
Fund Category	Equity feeder (wholesale)
Investment Objective	The Fund aims to achieve medium to long-term capital appreciation
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever appropriate.
Benchmark	MSCI AC World Index

FUND PERFORMANCE DATA

MYR Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	151.498	115.088
NAV per Unit (RM)	0.9405	0.8968
Unit in Circulation (million)	161.078	128.335

SGD Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	3.821	3.273
NAV per Unit (SGD)	0.9083	0.8785
Unit in Circulation (million)	4.207	3.726

USD Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	23.808	23.116
NAV per Unit (USD)	0.9559	0.9398
Unit in Circulation (million)	24.905	24.596

Fund Performance

USD Class

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 (14/12/15 - 31/3/21)
Fund	1.71%	17.45%	56.22%	51.32%	93.74%	91.18%
Benchmark	4.57%	19.93%	54.60%	39.90%	75.44%	76.54%
Outperformance	(2.86%)	(2.48%)	1.62%	11.42%	18.30%	14.64%

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark

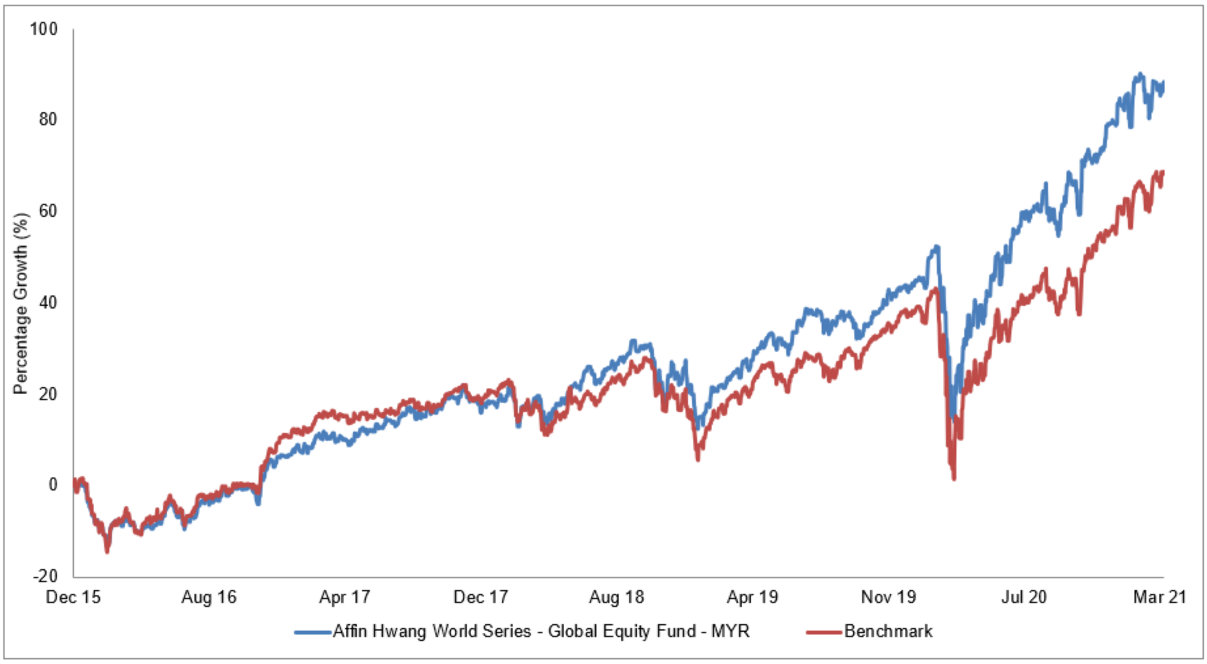
MYR Class

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 (14/12/15 - 31/3/21)
Fund	**4.87%**	**17.11%**	**49.90%**	**63.65%**	**107.57%**	**88.10%**
Benchmark	**7.84%**	**19.67%**	**48.53%**	**50.23%**	**87.78%**	**68.71%**
Outperformance	**(2.97%)**	**(2.56%)**	**1.37%**	**13.42%**	**19.79%**	**19.39%**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



SGD Class

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 (14/12/15 - 31/3/21)
Fund	**3.39%**	**15.21%**	**47.02%**	**55.05%**	**92.93%**	**81.66%**
Benchmark	**6.37%**	**18.10%**	**45.91%**	**43.48%**	**75.06%**	**67.89%**
Outperformance	**(2.98%)**	**(2.89%)**	**1.11%**	**11.57%**	**17.87%**	**13.77%**

Source of Benchmark: Bloomberg

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: MSCI AC World Index

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 (%)
Unit Trust	97.81
Cash & money market	2.19
Total	**100.00**

Strategies Employed

The team believes that companies with superior returns on capital over the long term will deliver better performance. The stocks that make it into a client's portfolio are what the team calls 'Future Quality'. Future Quality means a company which will attain and sustain high returns on investment. The team assesses companies to understand the quality of management, the quality of the company franchise, the quality of the balance sheet and the size of the valuation opportunity. The common feature of all Future Quality companies is that the growth in future cash flow, its sustainability and the level of returns to investors is not reflected in the share price today.

The Nikko Global Equity team are long-term investors and all of the companies in the portfolio are subject to detailed bottom-up analysis – incorporating full 5 year forecasts of their cash flows. The team typically holds between 40 and 50 stocks in the portfolio.

Market Review

Global equity markets continued to rise in the first quarter of 2021, with the MSCI ACWI climbing by 4.6%. The main driver was the view that only equities will offer attractive returns against a backdrop of rising inflation expectations. Bond yields rose steadily over the course of the quarter. At 1.7%, the yield on the US government's 10-year bonds has now recovered prior losses as the extent of the global COVID pandemic became clear. It remains some way below the 2.5% level last seen during Q4 2016 when market dynamics were arguably similar to those seen today.

Although COVID infections are rising again in the US, the bigger picture remains encouraging, with widespread vaccination of the most at-risk populations meaning that hospitalisation rates remain under control. Unfortunately, the picture in Europe is less positive, with the region continuing to struggle to bring its coronavirus pandemic under control, against a backdrop of much lower vaccination levels. This disparity is manifesting itself in higher relative economic growth rates in the US and a strengthening USD relative to their trading partners.

The (modest) appreciation of the USD plus less expansive monetary policy in China has seen some divergence appear within the Materials sector as the quarter has unfolded. Although the sector has outperformed, Metals & Mining stocks failed to keep pace with those in the Chemicals and Construction Materials sub sectors in March. Other cyclical parts of the market outperformed this quarter including Energy, Financials and Industrials.

The picture within defensive sectors was also less black and white towards quarter end. Although Healthcare, Utilities and Consumer Staples underperformed over the quarter, there was some evidence of investor interest in stable growth parts of the market in March, as relative valuations have begun to look more interesting in recent months. Consumer Staples outperformed Consumer Discretionary for the first time in a year. Real Estate and Utilities also outperformed in March.

The Information Technology sector lagged the market as investors weighed the sector's valuation relative to its growth in comparison to other sectors. Looking below the sector level, there was continued evidence of a bid for relative cyclicality, with semiconductor stocks outperforming software and services – helped by Intel's announcement of a major capital expenditure program, attempting to close their technology gap with TSMC.

The best performing major region this quarter was the US, helped by rising hopes of a fiscal stimulus package being passed by Congress. The UK also outperformed, driven by the country's relatively well advanced COVID vaccination programme and hopes for economic reopening. Most other major regions marginally underperformed with Emerging Markets in Asia suffering after strong recent performance – likely undermined by the appreciation of the USD noted above. Europe ex UK also underperformed, although it did improve slightly in March. Although domestic economic growth will likely be depressed for a (hopefully) short time by ongoing lockdown measures introduced to control the spread of the coronavirus, the region is a significant beneficiary of rising expectations for global economic growth.

Investment Outlook

Equity market leadership continues to be driven by rising confidence in the positive impact of abundant liquidity and ongoing / increasing Government support. This is manifesting itself in rising inflation expectations and bond yields and provides something of a headwind for long duration growth stocks.

Inflation expectations are rising for understandable reasons. Too many resources are visibly in the wrong place at the wrong time and this is leading to a pronounced squeeze up in prices. The blocking of the Suez Canal by the Ever Given this month provided further short-term dislocation, by closing a meaningful route for global trade for 6 days. It looks likely, however, that this picture will improve significantly over the next 12 months, and enduring shortages of capacity look difficult to see at this stage. Importantly, labour markets still retain significant capacity and this is before we see what the new normal (with some measure of social distancing) means for employment levels in many service industries.

Hope and expectations are often inextricably linked. Many investors now expect (hope?) that policy makers will not rain on their parades by tightening interest rates any time soon. Who is leading who though? Is the Federal Reserve ahead of the curve or willingly behind it and led by capital markets? Ironically, the more people that expect the Fed to stay supportive, the higher that asset prices will go and the more the imperative to act will grow. We all hope that policy makers will learn the lessons of the past in terms of avoiding unexpected moves. But, if you are a Federal Reserve policy maker, how do you avoid surprising the market with every single utterance poured over and even the tone of the message analysed to death?

Might other actors (rather than the Fed) be the first to gradually remove the punchbowl? Other countries (including China) have emerged from the pandemic more quickly and are starting to normalise monetary policy already. Other, private actors will have a role too and we will be monitoring bank lending standards and margin requirements for signs of increasing conservatism. The recent collapse of Archegos Capital Management and the resultant ‘firesale’ of USD30bn of assets served as a reminder that liquidity isn’t always there when you need it, even if macroeconomic numbers suggest that it should be.

Coming back to inflation - one of the ways in which rising price expectations could pose a challenge for sustainable growth businesses is via their upward pressure on the discount rate used to arrive at today’s value of future cashflow (with this rate heavily influenced by reference Government bond yields). We have been wary of using a market derived discount rate for some time and have increased the rate that we use, to build in a measure of conservatism. Time will tell if we have built in enough of a buffer but our discipline on valuation will remain and we will continue to reduce our exposure to companies where we believe that we are being asked to reflect unrealistically low rates, even if we continue to like the franchise, management team and balance sheet.

Interestingly, although cyclical stocks have continued to lead the market, some of their defensive peers have started to improve somewhat. This could be a quarter end-inspired development rather than anything more substantial but Consumer Staples outperformed Consumer Discretionary in March and Real Estate and Healthcare both beat Information Technology.

Part of the reason for Tech’s underperformance is the unwinding of excessive positioning but another contributor is likely the flipside of the Government largesse on the infrastructure spending that is propelling Basic Material and Industrial stocks higher. These bills will need to be paid for at some stage and increased taxation of the corporate sector seems to be a big part of this. No-one doubts the contribution of the US technology sector to the country’s long-term future and no US Government would want to jeopardise the innovation that it brings but the sector is a low tax area and has benefitted from a number of tax breaks that will likely be less generous in the future. This will act as a drag on profit growth relative to other parts of the economy.

The portfolio continues to have a barbell of attractively valued growth and more cyclical businesses. We have tended to find greater valuation support in the cyclical parts of the market in recent months but we will only own businesses where we believe in the sustainability of their returns over the longer-term, even if economic growth slows. This month’s additions to Kingspan, Progressive Corp and Compass Group are good examples.

In conclusion, the current environment continues to pose a modest headwind to performance relative to benchmark indices with greater exposure lower quality cyclical stocks. That said, our ability to find Future Quality companies across a wide variety of sectors, whilst underweighting growth at any price is allowing us to stay in touch. Over the longer-term, we are confident that this approach will generate strong risk-adjusted returns for our clients.

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

	Financial period ended 31.3.2021 USD	Financial period ended 31.3.2020 USD
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	839	3,946
Net (loss)/gain on foreign currency exchange	(7,610)	144,296
Net gain/(loss) on financial assets at fair value through profit or loss	8,224,580	(4,965,960)
	8,217,809	(4,817,718)
EXPENSES		
Management fee	(482,858)	(280,688)
Trustee fee	(16,117)	(9,365)
Fund accounting fee	(5,311)	(2)
Auditors' remuneration	(961)	(1,584)
Tax agent's fee	-	(429)
Other expenses	(2,237)	(1,653)
	(507,484)	(293,721)
NET PROFIT/(LOSS) BEFORE TAXATION	7,710,325	(5,111,439)
Taxation	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	7,710,325	(5,111,439)
Increase/(decrease) of net asset attributable to unitholders is made up of the following:		
Realised amount	119,493	4,728,080
Unrealised amount	7,590,832	(9,839,519)
	7,710,325	(5,111,439)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	2021 USD	2020 USD
ASSETS		
Cash and cash equivalents	1,340,332	2,044,562
Amount due from Manager		
- creation of units	907,126	7,082,409
- rebate of management fee receivable	63,887	27,303
Financial assets at fair value through profit or loss	61,831,100	21,069,121
TOTAL ASSETS	64,142,445	30,223,395
LIABILITIES		
Amount due to broker	820,000	-
Amount due to Manager		
- management fee	94,894	42,007
Amount due to Trustee	3,163	1,400
Auditors' remuneration	961	919
Tax agent's fee	2,062	2,492
Other payables and accruals	2,976	2,754
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	924,056	49,572
NET ASSET VALUE OF THE FUND	63,218,389	30,173,823
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	63,218,389	30,173,823

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021 (CONTINUED)

	2021 USD	2020 USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class	36,567,282	14,823,930
- SGD Class	2,843,329	1,312,485
- USD Class	23,807,778	14,037,408
	63,218,389	30,173,823
NUMBER OF UNITS IN CIRCULATION		
- MYR Class	161,078,000	102,020,000
- SGD Class	4,207,000	3,034,000
- USD Class	24,905,000	22,942,000
	190,190,000	127,996,000
NET ASSET VALUE PER UNIT (USD)		
- MYR Class	0.2270	0.1453
- SGD Class	0.6759	0.4326
- USD Class	0.9559	0.6119
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class	RM0.9405	RM0.6274
- SGD Class	SGD0.9083	SGD0.6178
- USD Class	USD0.9559	USD0.6119

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Financial period ended 31.3.2021 USD	Financial period ended 31.3.2020 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	42,849,446	25,796,628
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	17,435,101	20,657,976
- MYR Class	15,155,086	16,911,520
- SGD Class	1,098,690	386,323
- USD Class	1,181,325	3,360,133
Cancellation of units	(4,776,483)	(11,169,342)
- MYR Class	(3,737,806)	(9,321,709)
- SGD Class	(791,881)	(142,040)
- USD Class	(246,796)	(1,705,593)
Net increase/(decrease) in net assets attributable to unitholders during the financial period	7,710,325	(5,111,439)
- MYR Class	3,883,364	(2,718,182)
- SGD Class	383,227	(223,202)
- USD Class	3,443,734	(2,170,055)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	63,218,389	30,173,823

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