Affin Hwang World Series - Global Sustainability Fund

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 WORLD SERIES – GLOBAL SUSTAINABILITY FUND

Quarterly Report and Financial Statements
As at 31 March 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Sustainability Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period.
Benchmark	Dow Jones Sustainability World Index
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

MYR Hedged-Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	184.146	86.384
NAV per Unit (RM)	0.5431	0.5292
Unit in Circulation (million)	339.050	163.242

SGD Hedged-Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	6.686	2.728
NAV per Unit (SGD)	0.5323	0.5208
Unit in Circulation (million)	12.560	5.238

AUD Hedged-Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	7.540	3.590
NAV per Unit (AUD)	0.5291	0.5185
Unit in Circulation (million)	14.250	6.925

USD Class

Category	As at 31 Mar 2021	As at 31 Dec 2020
Total NAV (million)	8.407	3.754
NAV per Unit (USD)	0.5406	0.5282
Unit in Circulation (million)	15.552	7.106

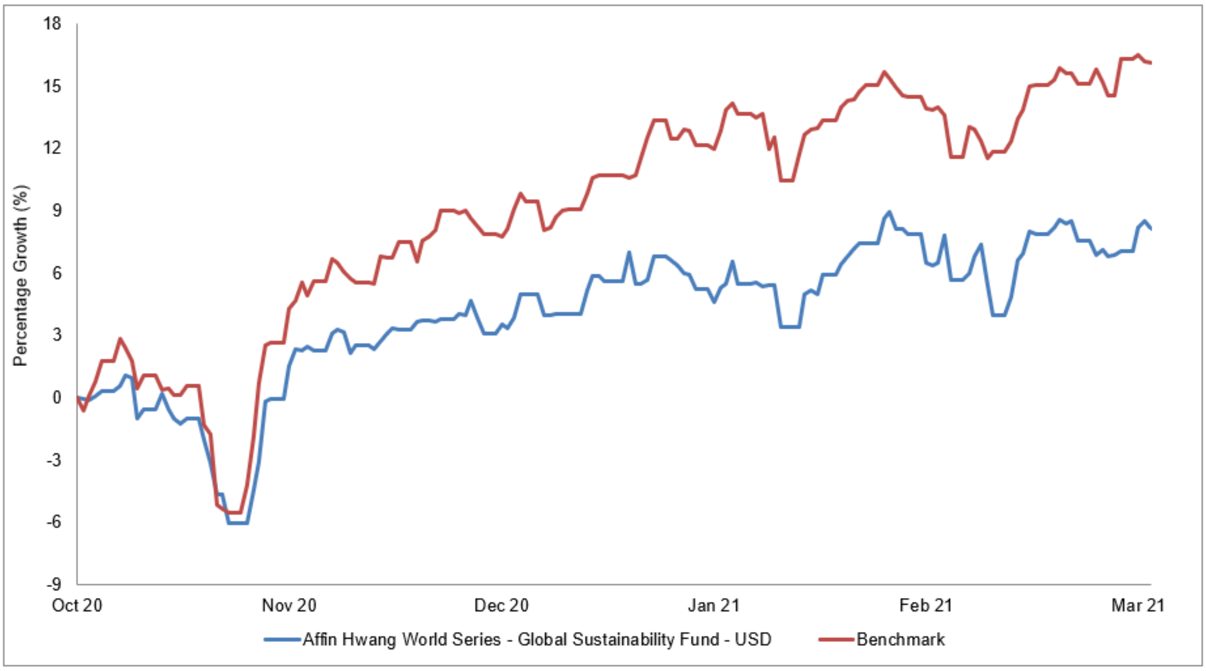
USD Class

Performance as at 31 March 2021

	3 Months (1/1/21 - 31/3/21)	Since Commencement (6/10/20 - 31/3/21)
Fund	**2.35%**	**8.12%**
Benchmark	**4.92%**	**16.14%**
Outperformance	**(2.57%)**	**(8.02%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



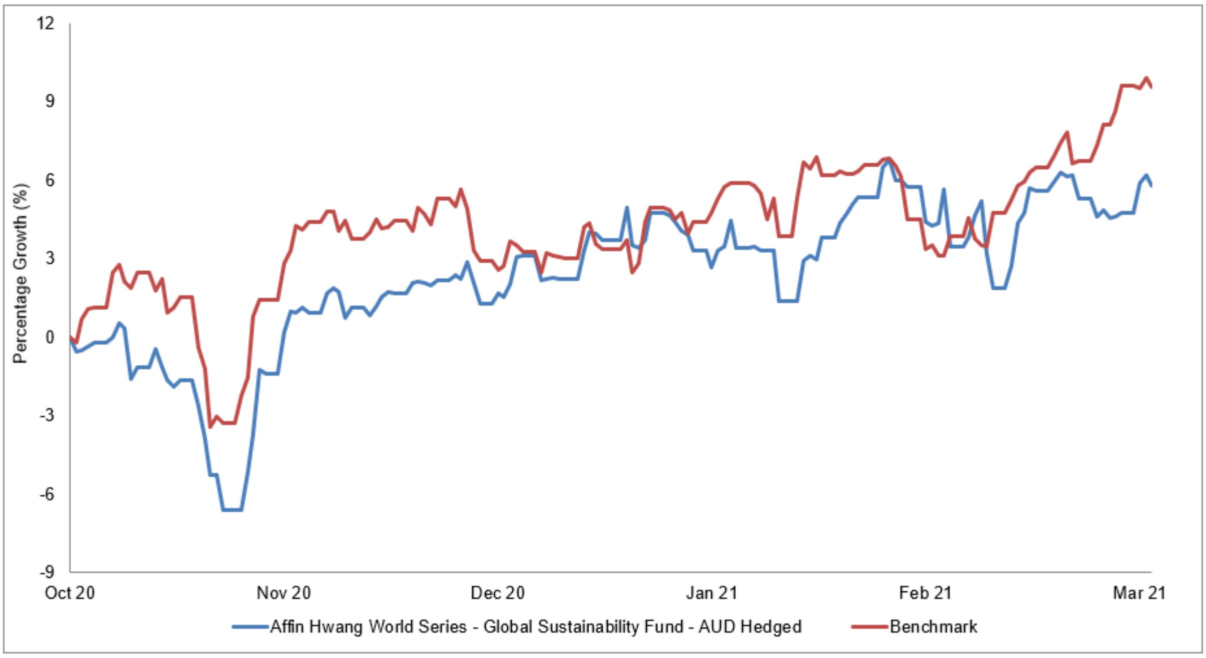
AUD Hedged-Class

Performance as at 31 March 2021

	3 Months (1/1/21 - 31/3/21)	Since Commencement (6/10/20 - 31/3/21)
Fund	**2.04%**	**5.82%**
Benchmark	**5.98%**	**9.57%**
Outperformance	**(3.94%)**	**(3.75%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



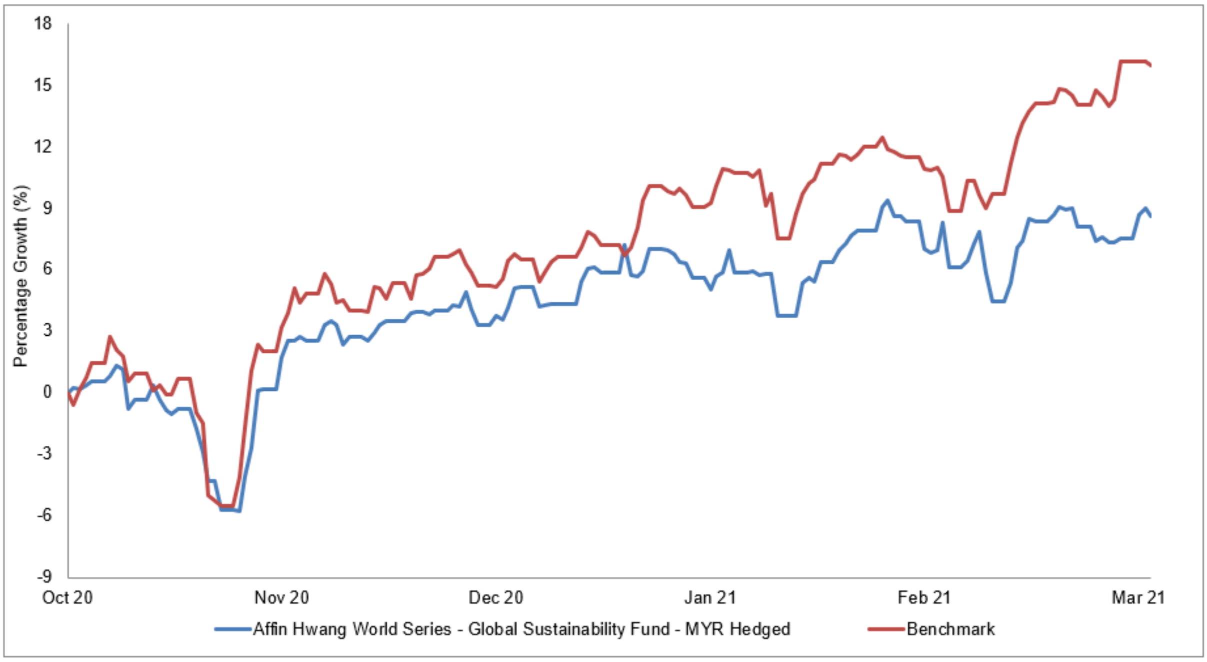
MYR Hedged-Class

Performance as at 31 March 2021

	3 Months (1/1/21 - 31/3/21)	Since Commencement (6/10/20 - 31/3/21)
Fund	**2.63%**	**8.62%**
Benchmark	**8.20%**	**15.96%**
Outperformance	**(5.57%)**	**(7.34%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



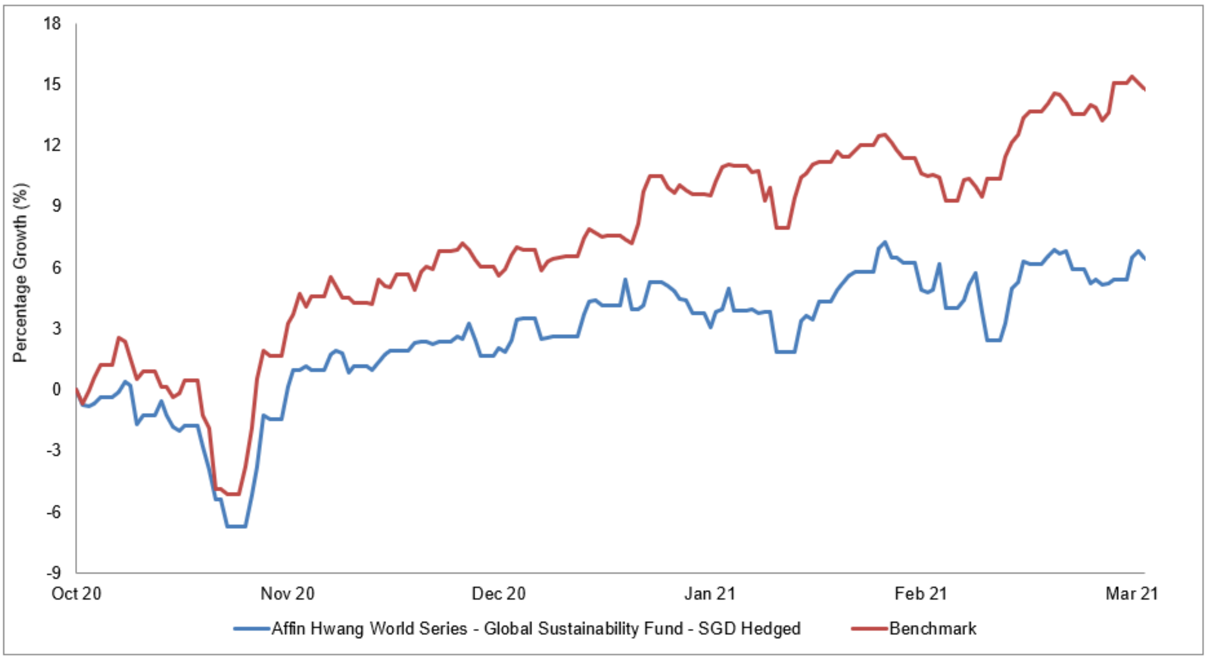
SGD Hedged-Class

Performance as at 31 March 2021

	3 Months (1/1/21 - 31/3/21)	Since Commencement (6/10/20 - 31/3/21)
Fund	**2.21%**	**6.46%**
Benchmark	**6.72%**	**14.75%**
Outperformance	**(4.51%)**	**(8.29%)**

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: Dow Jones Sustainability 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	98.44
Derivative	-1.69
Cash & money market	3.25
Total	**100.00**

Strategies Employed

At a broad level, the value rotation narrative continues. While this has historically been a headwind for our quality and growth-tilted portfolios, the speed at which markets have recovered is starting to see investors already return to longer- term considerations. In addition, more cyclical elements of the portfolio have kept pace with the broader market. As such, stock selection in Information Technology and Health Care has made a positive contribution, while picks in Consumer Discretionary and Energy have detracted.

UnitedHealth Group made the largest positive contribution to performance. Shares in the medical insurer and care operator had lagged in the preceding two months due to fears about what a Democrat-controlled senate would mean for Managed Care Operators. However, UnitedHealth rallied strongly in March given the narrow control Democrats secured. Fundamentally, revenue growth has continued to be strong despite Covid-19 and in public forums the company has told investors to expect annual earnings-per-share growth of 13% to 16% over the long term. As such, we expect to treat any regulatory-driven volatility as a renewed buying opportunity.

A maker of locks and related solutions also boosted returns. The company posted Q4 results in February that were slightly weaker than expected in terms of top line and EBIT, but these were largely related to the divestment of an Italian security door manufacturer. Of more interest to the market were the CEO's comments that the outlook for commercial construction is improving. This cyclical element to the company has boosted the shares following the market's rotation.

A maker of sports apparel made the weakest contribution to performance. The company has been embroiled in a Chinese boycott of Western clothing companies for refusing to use Xinjiang cotton – allegedly produced using Uighur slave labour. While the company's policy on this is not recent, the removal of its app and sponsored celebrities quitting contracts has dented sentiment. Despite this, we remain positive on the name. The company announced a return to earnings growth in its Q4 results, as well as a doubling down on its direct to consumer strategy. Temporary headwinds from China should not derail this long-term repositioning.

Keyence also weakened returns. Shares in the Japanese maker of machine vision systems performed strongly throughout 2020 thanks to the surge in demand for factory automation: An airborne pandemic rapidly accelerated companies' desire to reduce numbers in the workplace. However, investors are taking profits in such names and reallocating to more short-term beneficiaries from the economic reopening. The structural trends which underpin our investment case have not altered. In the future, more machines will be equipped with vision capabilities, and these capabilities in turn will be far superior. If this modest correction goes further, it may afford an opportunity to increase our position.

We exited our positions in a provider of oil and gas infrastructure and a manufacturer of automobile components while initiating a position in a company that manufactures equipment needed to build semiconductors, the building blocks of a globalised digital economy. The company occupies a market leading position thanks to innovation, high barriers to entry and a consolidated marketplace. As a result, it has exceptional long-term revenue visibility and our expectations are for margins to expand as the company scales and as services grow as a percentage of total revenues. We also believe the company fares better than its closest peer, a Taiwanese multinational semiconductor company, in terms of its exposure to idiosyncratic sustainability risks (potential water and energy scarcity in Taiwan) and geopolitical risks (tensions between Taiwan and mainland China). The company also has a higher sustainability score according to our SRI model.

We sold out the afore-mentioned provider of oil and gas infrastructure also due to a combination of fundamental and sustainability factors. As an oil and gas infrastructure provider, there are limited ways in which the company can evolve to capitalise from the opportunities stemming from the energy transition. We believe there are better opportunities within the Energy sector that stand to benefit from both higher commodity price and society's efforts to mitigate climate change.

We sold also sold our position in a manufacturer of automobile components, as mentioned earlier. The company's products span the entire powertrain, as well as the chassis and other areas. The stock has almost recovered from its lows in March 2020, following stronger than expected demand for personal vehicles. Nonetheless, our original investment thesis was predicated on the company's ability to generate meaningful margin growth - in part due to an acceleration in electric vehicle demand. This benefit has failed to materialise for the company and – given the relatively concentrated nature of our portfolio, we have chosen to allocate to holdings with greater earnings visibility.

Market Review

Global equities advanced over March, with Value names continuing to lead the way. The US economy provided the biggest boost, with strong data and Congress' approval of President Biden's fiscal stimulus programme. Rising inflation expectations also pushed long-term Treasury yields higher, with the 10-year reaching its highest level since January 2020. The latter limited US equity gains, with stocks in Europe and Japan outperforming.

At a sector level, higher yielding sectors, such as Consumer Staples, Utilities and Real Estate led the way, pulling back some of the quarter's prior underperformance. Industrials also posted strong gains. Technology companies continued to lag as a result of the market rotation.

Economic news largely reflected the success of vaccine roll-outs. US economic activity appeared to be accelerating, with stronger jobs growth and stimulus payments boosting consumer sentiment. The UK economy also surprised on the upside, with its dominant service sector returning to growth in March ahead of a planned re-opening after Easter.

In Europe, the picture was split; manufacturing output remained strong, while services remained in contraction following resurgent COVID-19 infections. In China, authorities warned of the need to deleverage and avoid asset bubbles. Rising input prices were a common theme globally, due in part to supply chain bottlenecks, which raised the spectre of inflation.

Oil prices were volatile. While a decision not to implement significant output hikes by OPEC and its allies fuelled an initial surge which took Brent crude to almost USD 70 a barrel, oil prices later came off their best as concerns over another COVID-19 wave weighed on the outlook for demand.

Investment outlook

Global equity markets continue to run with the reflation narrative. Led by the US, strong GDP and PMI numbers are boosting earnings expectations across the board, with more cyclical service sectors catching up with their manufacturing counterparts. Already, some commentators have moved on to the question of when monetary policy must inevitably tighten and bring the party to an end.

The advanced state of this discourse should in and of itself give investors reason to pause. Sustained inflation has variously failed to manifest in the years since the 2008 financial crisis, most famously after the election of Donald Trump in 2016. And while the unprecedented depth of economic inactivity sets the stage for this year's expected bounce, key long-term deflationary forces remain in place.

Digitalisation continues to disrupt old industries, passing on value to consumers while concentrating growth in a handful of successful companies. Demographic shifts meanwhile, are reshaping global populations. In developing countries, a new middle class is emerging. More advanced economies are instead learning to cope with increasingly elderly populations, dedicating their spending to healthcare. At the same time, government debt is growing substantially, acting as a drag on growth and interest rate rises.

These factors continue to support to our guiding investment philosophy: that a concentrated portfolio of quality companies, generating sustainable growth purchased at a reasonable price remains the best way of outperforming global equity markets over the long-term. Rather than try to time markets, we have thus taken advantage of recent volatility to increase our positions in high conviction names and initiate new positions in stocks which meet our key criteria.

Strong style headwinds could therefore remain a challenge in the short-term. However, an uncertain road out of the pandemic, very high expectations for certain sectors of the market and the simple fact that earnings growth tends to drive share prices, will ensure a return to fundamentals in due course. We are therefore comfortable that the actions we have been taking will stand us in good stead.

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

	Financial period ended 31.3.2021 USD
INVESTMENT INCOME	
Dividend income	7,524
Interest income from financial assets at amortised cost	902
Net loss on foreign currency exchange	(25,878)
Net loss on forward foreign currency contracts at fair value through profit or loss	(775,765)
Net gain on financial assets at fair value through profit or loss	2,527,818
	1,734,601
EXPENSES	
Management fee	(292,246)
Trustee fee	(9,786)
Fund accounting fee	(1,150)
Auditors' remuneration	(5,886)
Tax agent's fee	(2,290)
Other expenses	(3,597)
	(314,955)
PROFIT BEFORE TAXATION	1,419,646
Taxation	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	1,419,646
Increase in net asset attributable to unitholders is made up of the following:	
Realised amount	248,932
Unrealised amount	1,170,714
	1,419,646

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	2021
	USD
ASSETS	
Cash and cash equivalents	2,526,324
Amount due from Manager	
- creation of units	258,389
- management fee rebate receivable	75,200
Financial assets at fair value through profit or loss	62,584,683
Forward foreign currency contract at fair value through profit or loss	4,846
TOTAL ASSETS	65,449,442
LIABILITIES	
Forward foreign currency contract at fair value through profit or loss	1,080,860
Amount due to broker	500,000
Amount due to Manager	
- management fee	95,542
- cancellation of units	185,647
Amount due to Trustee	3,185
Auditors' remuneration	5,886
Tax agent's fee	2,290
Other payables and accruals	575
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	1,873,985
NET ASSET VALUE OF THE FUND	63,575,457
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	63,575,457

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

	2021 USD
REPRESENTED BY:	
FAIR VALUE OF OUTSTANDING UNITS	
- AUD Hedged-class	5,745,860
- MYR Hedged-class	44,447,500
- SGD Hedged-class	4,974,745
- USD Class	8,407,352
	63,575,457
NUMBER OF UNITS IN CIRCULATION	
- AUD Hedged-class	14,250,000
- MYR Hedged-class	339,050,000
- SGD Hedged-class	12,560,000
- USD Class	15,552,000
	381,412,000
NET ASSET VALUE PER UNIT (USD)	
- AUD Hedged-class	0.4032
- MYR Hedged-class	0.1311
- SGD Hedged-class	0.3961
- USD Class	0.5406
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES	
- AUD Hedged-class	AUD0.5291
- MYR Hedged-class	RM0.5431
- SGD Hedged-class	SGD0.5323
- USD Class	USD0.5406

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

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

	Financial period ended 31.3.2021 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE DATE OF LAUNCH	-
Movement due to units created and cancelled during the financial period	
Creation of units arising from applications	63,916,318
- AUD Hedged-class	5,926,239
- MYR Hedged-class	44,642,194
- SGD Hedged-class	5,128,244
- USD Class	8,219,641
Cancellation of units	(1,760,507)
- AUD Hedged-class	(436,489)
- MYR Hedged-class	(953,141)
- SGD Hedged-class	(264,666)
- USD Class	(106,211)
Net increase in net asset attributable to unitholders during the financial period	1,419,646
- AUD Hedged-class	256,110
- MYR Hedged-class	758,447
- SGD Hedged-class	111,167
- USD Class	293,922
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	63,575,457

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