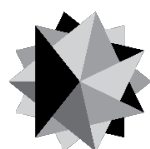


Affin Hwang

Absolute Return Fund III

Quarterly Report
31 March 2022

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 2022

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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

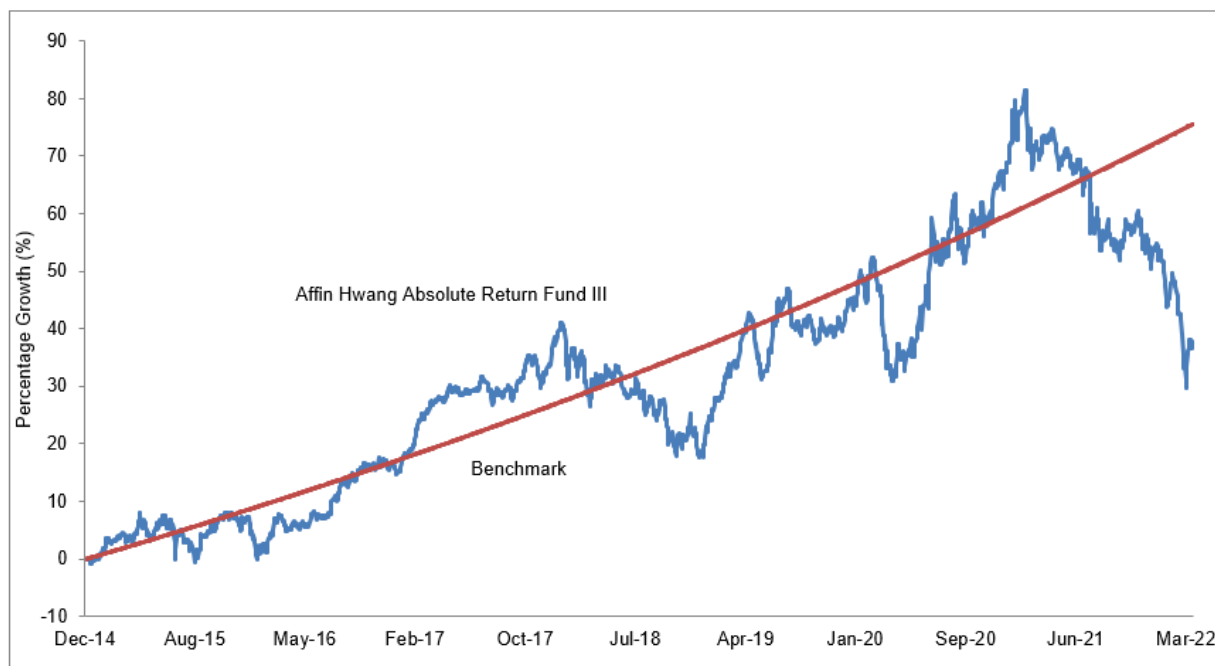
FUND PERFORMANCE DATA

Category	As at 31 Mar 2022	As at 31 Dec 2021
Total NAV (RM'million)	99.540	114.942
NAV per Unit (RM)	0.6861	0.7715
Unit in Circulation (million)	145.073	148.981

Performance as at 31 March 2022

	3 Months (1/1/22 - 31/3/22)	6 Months (1/10/21 - 31/3/22)	1 Year (1/4/21 - 31/3/22)	3 Years (1/4/19 - 31/3/22)	5 Years (1/4/17 - 31/3/22)	Since Commencement (9/12/14 - 31/3/22)
Fund	(11.07%)	(10.57%)	(19.59%)	1.63%	7.66%	37.22%
Benchmark	1.92%	3.91%	8.00%	26.00%	46.96%	75.59%
Outperformance	(12.99%)	(14.48%)	(27.59%)	(24.37%)	(39.30%)	(38.37%)

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 2022
	(%)
Equity	63.86
Unit Trust	11.91
Derivative	0.01
Cash & money market	24.22
Total	100.00

Strategies Employed

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

At the start of 2021, global equities started on a strong note due to policy easing and optimism surrounding vaccination rollout. However, global recovery was uneven as developed markets reported stronger gains compared to emerging markets. Developed countries managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility and hence a more optimistic market outlook.

The S&P 500 index pierced new highs in the year underpinned by strong earnings rebound as businesses clambered to meet renewed demand. However, although markets were initially soothed by dovish comments

from the US Federal Reserve, a change in tone by the Fed to a more hawkish stance spooked markets as the S&P 500 closed 1.3% lower at the end of the year.

With inflation proving to be stickier than expected, the Fed signalled that it would start accelerating its tapering programme of bond purchases to tame inflation, paving the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates. The same trend can be seen continuing through the first quarter of 2022 as weak earnings and renewed delisting fears halted gains. US-listed Chinese companies are locked in a dispute with US regulators for not complying with US accounting and transparency guidelines.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A myriad of concerns sent the stock market on a volatile path. Although the KLCI rose 0.8% in the first quarter of 2022 buoyed by the slared international border reopening, tightening monetary conditions can cause further volatility.

Following the announcement of Prime Minister Datuk Seri Ismail Sabri Yaakob that the minimum wage could be increased to RM1,500 starting in May, sectors that are reliant on low-skilled labour could be vulnerable to higher labour costs.

Other notable news in March 2022 includes an announcement by the government to allow a special Employees Provident Fund ("EPF") withdrawal of up to RM10,000. This is the fourth round of withdrawal of EPF contribution since the pandemic first hit the country back in 2020. In addition to the EPF withdrawals, a hawkish FOMC meeting saw the local bond market traded cautiously for the most part with yields trending slightly higher.

The local bond market endured a relatively softer session at the end of 1Q2022 amid evident selling pressures from foreign investors as well as tighter liquidity conditions in general. On a week-on-week basis, MGS yields rose by some 7-8 bps across the curve.

Investment Outlook

2022 is set to be a year of transition for markets as investors continue to contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy. Market environment is challenging given rising rates, slowing growth and uncertain earnings.

The Russia-Ukraine tension is also weighing on sentiments. With continued disruptions to supply chains, the conflict is contributing to inflationary pressures. However, history suggest that market impact from geopolitical events tend to be short. We expect markets to shift the focus back to tighter monetary conditions and slowing growth moving forward.

The inversion of the US yield curve and whether it is an accurate predictor of a recession has been widely discussed as of late. Whilst a recession is not inevitable in our view, we are increasingly of the opinion that economic growth will likely slow materially in the coming months as consumers adjust to rapidly rising costs.

Although the default response to decelerating growth in recent years by central banks is to increase liquidity, this seems much less likely this time as battling inflation is seen as a more pressing matter.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside

underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and an easing of Russia-Ukraine tension as potential turnarounds for the market to improve.

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	Financial period ended 31.3.2022 RM	Financial period ended 31.3.2021 RM
INVESTMENT (LOSS)/INCOME		
Dividend income	1,074,907	1,208,163
Interest income from financial assets at amortised cost	21,067	54,665
Interest income from financial assets at fair value through profit or loss	-	12,222
Net loss on foreign currency exchange	(100,518)	(839,637)
Net gain on futures at fair value through profit or loss	34,942	-
Net (loss)/gain on financial assets at fair value through profit or loss	(23,539,221)	22,987,050
	<u>(22,508,823)</u>	<u>23,422,463</u>
EXPENSES		
Management fee	(874,465)	(936,395)
Trustee fee	(48,110)	(51,530)
Performance fee	-	(2,825,276)
Fund accounting fee	(9,000)	(9,000)
Auditors' remuneration	(6,757)	(6,757)
Tax agent's fee	(7,013)	(2,628)
Transaction costs	(621,796)	(754,889)
Other expenses	(121,033)	(157,152)
	<u>(1,688,174)</u>	<u>(4,743,627)</u>
NET (LOSS)/PROFIT BEFORE TAXATION	(24,196,997)	18,678,836
Taxation	(7,465)	-
NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD	<u>(24,204,462)</u>	<u>18,678,836</u>
Net (loss)/profit after taxation is made up of the following:		
Realised amount	(13,796,299)	17,601,605
Unrealised amount	(10,408,163)	1,077,231
	<u>(24,204,462)</u>	<u>18,678,836</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	<u>2022</u> RM	<u>2021</u> RM
ASSETS		
Cash and cash equivalents	23,219,080	24,591,796
Margin accounts	975,724	-
Amount due from Manager		
- management fee rebate receivable	9,798	-
Dividend receivables	170,955	219,713
Financial assets at fair value through profit or loss	75,425,326	117,105,331
TOTAL ASSETS	<u>99,800,883</u>	<u>141,916,840</u>
LIABILITIES		
Amount due to Manager		
- management fee	84,294	120,172
- cancellation of units	141,847	-
Amount due to Trustee	4,636	6,480
Performance fee payables	-	2,825,276
Auditors' remuneration	6,757	6,757
Tax agent's fee	3,644	601
Tax payable	7,284	-
Other payables and accruals	12,134	11,363
TOTAL LIABILITIES	<u>260,596</u>	<u>2,970,649</u>
NET ASSET VALUE OF THE FUND	<u>99,540,287</u>	<u>138,946,191</u>
EQUITY		
Unitholders' capital	84,029,647	97,970,739
Retained earnings	15,510,640	40,975,452
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>99,540,287</u>	<u>138,946,191</u>
NUMBER OF UNITS IN CIRCULATION	<u>145,073,000</u>	<u>162,862,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.6861</u>	<u>0.8532</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 July 2021	96,702,574	39,715,102	136,417,676
Total comprehensive loss for the financial period	-	(24,204,462)	(24,204,462)
Movement in unitholders' capital:			
Creation of units arising from applications	670,207	-	670,207
Cancellation of units	(13,343,134)	-	(13,343,134)
Balance as at 31 March 2022	<u>84,029,647</u>	<u>15,510,640</u>	<u>99,540,287</u>
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>

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