AHAM CAPITAL
ASSET MANAGEMENT

QUARTERLY REPORT

31 March 2023

Affin Hwang
Absolute Return Fund III

MANAGER
AHAM Asset Management Berhad
(Formerly known as Affin Hwang Asset Management Berhad)
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AFFIN HWANG ABOSLUTE RETURN FUND III

Quarterly Report and Financial Statements
As at 31 March 2023

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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

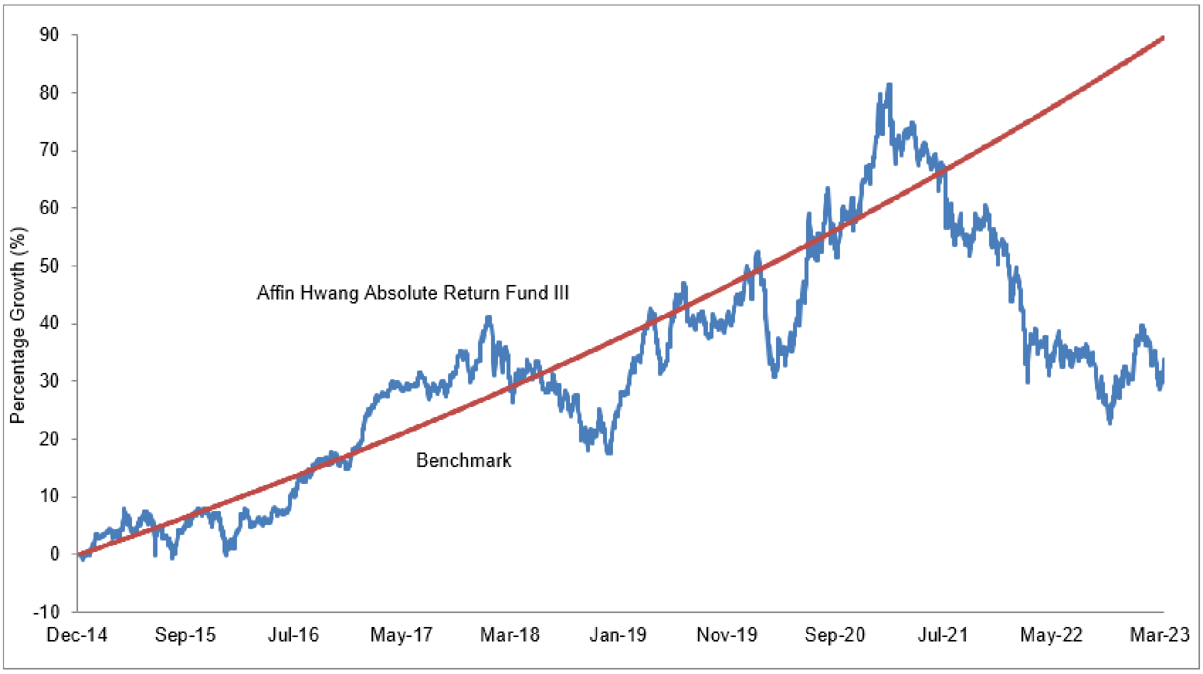
Category	As at 31-Mar-23	As at 30-Dec-22
Total NAV (RM'million)	81.061	82.655
NAV per Unit (RM)	0.6691	0.6516
Unit in Circulation (million)	121.142	126.846

<u>Fund Performance</u>

Performance as at 31 March 2023

	3 Months (1/1/23 - 31/3/23)	6 Months (1/10/22 - 31/3/23)	1 Year (1/4/22 - 31/3/23)	3 Years (1/4/20 - 31/3/23)	5 Years (1/4/18 - 31/3/23)	Since Commencement (9/12/14 - 31/3/23)
Fund	**2.69%**	**5.12%**	**(2.48%)**	**1.39%**	**3.45%**	**33.82%**
Benchmark	**1.92%**	**3.91%**	**8.00%**	**25.97%**	**46.96%**	**89.64%**
Outperformance	**0.77%**	**1.21%**	**(10.48%)**	**(24.58%)**	**(43.51%)**	**(55.82%)**

Movement of the Fund versus the Benchmark



"This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) 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 2023
	(%)
Equity	73.08
Unit Trust	15.12
Derivative	0.26
Cash & money market	11.54
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

Over the financial year ended 31 March 2023, markets experienced some volatility as macro events and continued policy rates increases globally affected stock and bond markets. The MSCI AC World index was down -7.4%, the MSCI AC Asia ex Japan Index was down -11.0%, while the FTSE Bursa Malaysia Top 100 Index was down -8.6% over the period. Bond markets were similarly impacted with the Bloomberg Barclays

Global Aggregate Index down -3.9%, while local bond markets saw edge higher with the benchmark 10-year MGS yield closing at 3.91%, 6bps higher compared to the previous year.

Central banks globally continued to raise policy rates from their pandemic era lows, as high inflation continues to be a concern globally. The US Federal Reserve continued to raise their policy rates by 75bps in each consecutive monetary policy committee meetings, before starting to moderate their pace as the year progressed. The sharp pace of policy tightening raised concerns in the financial markets of an over-tightening that could lead to a growth slowdown, or even trigger a potential recession. Further signs of stress in the economy was also seen in March as the fallout of Silicon Valley Bank and the emergency rescue of Credit Suisse triggering concerns of contagion to other vulnerable banks.

In China, sentiments continued to dampen for much of the financial year as Covid lockdowns continued to be in place, alongside the downturn in the country's property sector which continued to be a concern for growth. By December 2022 however, lockdowns measures had been eased lending some positivity to markets for a recovery in growth, though at the expense of further contributing to sticky inflation seen globally. The Chinese government was also seen providing policy support to the property sector which aims to facilitate project completion and ease liquidity conditions. China's National People's Congress (NPC) took place in February 2023 where a GDP target of around 5% for 2023 was set. Trade tensions with the US also continues to simmer, with the US seen putting in place measures to prevent exports of advanced technology to China.

Major macro events over the financial year under review had a notable effect on the local market. While Bank Negara similarly raised policy rates to tame domestic inflation, the pace of increase was more measured compared to other major central banks. This led to a strengthening of the US Dollar against the Malaysian Ringgit, causing sustained foreign fund outflows. This is despite fundamentals (earnings growth, growing FDI) remaining strong domestically, as well as the removal of political and policy uncertainties following the general elections in November 2022 which saw Datuk Seri Anwar Ibrahim taking the helm as Prime Minister as well as the position of Finance Minister. Budget 2023 which was tabled in February, was also seen as pragmatic where increased expenditure to drive economic growth were balanced with new tax measures to bolster government revenue.

Investment Outlook

Global equity markets still remain susceptible to shifting sentiment towards geopolitical tensions, inflation, economic growth and ultimately corporate earnings. Valuations have already significantly adjusted to reflect a change in the market environment, and we believe reflect realistic expectations for inflation, rates and risk premia. Consequently, the source of risk has now shifted from valuation to earnings in light of the softer growth and prospects for a recession, which appears increasingly likely.

China is expected to be a strong source of growth and returns for Asia. The Chinese equities as well as credit market took a breather in February after strong rally in the past months. Market sentiment was dampened by the re-intensifying geopolitical tensions between US-China which arose from the balloon controversies and the plan to expand US troops in Taiwan for military training. On the other hand, macro and economic front continued to deliver encouraging data. Consumption continued to recover in February, stronger and at a faster pace than expected, albeit with more encouraging signs in the services sector over consumer goods. Signs of the rebound were evident over the Chinese New Year holiday, and domestic tourism recorded the strongest visitor and revenue levels since the pandemic. China's official manufacturing PMI rose to 52.6 in February from 50.1 in January, however has dipped slightly to 51.9 in March. Non-manufacturing PMI on the other hand rose to 58.2 in March, the highest since May 2011. The supportive stance continued into 2023 and was recently validated by the 2 sessions that took place in early March. The general positive tone on economic recovery and consumption stimulus remains, alongside with the announcement of the new cabinet and securing of President Xi's third term.

In contrast to the expected slowdown in the developed market economy, Malaysia's economic fundamentals continues to remain strong. Within the financial period under review, the government unveiled its revised budget, focusing on sustainable economic growth, institutional reforms and reducing social inequality. The benchmark KLCI edged 2.11% lower as market reaction to Budget 2023 was neutral. Our view is that newly tabled budget is a pragmatic one that should restore confidence and shore up support in the long run. The absence of any prosperity tax is a huge relief to the market that should augur well for corporate earnings. Notwithstanding macro noises, Malaysia economy is primarily domestic driven and therefore more insulated against external shocks.

Bond investors may see some relief this year after enduring a painful 2022 which saw rates volatility reaching unprecedented highs. In 2023, volatility in rates is expected to temper down as we see a slower pace of adjustment in rates. In addition, a slower growth outlook is beneficial for rates. On local fixed income, credit rating agencies are likely to maintain the sovereign ratings of Malaysia bonds. We expect range bound yields in 1Q23. Local demand for bonds is still healthy and is expected to be anchored by real money investors. Rates volatility will be driven by external development.

China property developers went through an unprecedented phase which caused a widespread default in the USD Asia Credit market. In 2022, USD 67.3bn of defaults emerged from the China high-yield (HY) property sector, which translated to a default rate of close to 66%, or 52% of China HY. The defaults started emerging after a series of tightening policies that were rolled out by the Chinese government in their attempt to rein in financial risks after being the first to emerge out of Covid-19. Some of the tightening measures that the Chinese government used include tighter funding channels, tighter escrow account monitoring, and slower mortgage approvals by the local governments. The Covid-19 lockdowns implemented for the most part of 2022 also dampened property sales in China sharply.

The property sector is an important sector for the Chinese economy given that it accounted for 25% to 30% of China's GDP. While the Chinese Government has cut interest rates and made various announcements that it will support the property sector, it was only in 4Q22 that the Chinese government started rolling out more constructive measures. They introduced the Three Arrows (loans, onshore bonds and equity) and 16-point plan to support for the property market. Several developers were able to issue onshore bonds with credit enhancements like guarantees from China State-owned entities or credit risk management tools.

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Financial period ended 31.3.2023 RM	Financial period ended 31.3.2022 RM
INVESTMENT INCOME/(LOSS)		
Dividend income	861,893	1,074,907
Interest income from financial asset at amortised cost	3,823	21,067
Interest income from financial assets at fair value through profit or loss	23,997	-
Net gain/(loss) on foreign currency exchange	260,138	(100,518)
Net gain on forward foreign currency contracts at fair value through profit or loss	239,916	-
Net gain on futures at fair value through profit or loss	-	34,942
Net loss on financial assets at fair value through profit or loss	(1,332,700)	(23,539,221)
	57,067	(22,508,823)
EXPENSES		
Management fee	(643,545)	(874,465)
Trustee fee	(35,426)	(48,110)
Fund accounting fee	(10,000)	(9,000)
Auditors' remuneration	(7,025)	(6,757)
Tax agent's fee	(6,603)	(7,013)
Transaction costs	(185,637)	(621,796)
Other expenses	(72,405)	(121,033)
	(960,641)	(1,688,174)
NET LOSS BEFORE TAXATION	(903,574)	(24,196,997)
Taxation	(135,021)	(7,465)
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD	(1,038,595)	(24,204,462)
Net loss after taxation is made up of the following:		
Realised amount	(4,748,455)	(13,796,299)
Unrealised amount	3,709,860	(10,408,163)
	(1,038,595)	(24,204,462)

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	2023	2022
	RM	RM
ASSETS		
Cash and cash equivalents	8,091,048	23,219,080
Margin accounts	-	975,724
Amount due from brokers	1,318,211	-
Amount due to from Manager		
- management fee rebate receivable	8,738	9,798
Dividend receivable	151,725	170,955
Financial assets at fair value through profit or loss	71,706,225	75,425,326
TOTAL ASSETS	81,275,947	99,800,883
LIABILITIES		
Amount due to Manager		
- management fee	67,902	84,294
- cancellation of units	-	141,847
Amount due to Trustee	3,735	4,636
Fund accounting fee	1,000	-
Auditors’ remuneration	7,025	6,757
Tax agent’s fee	6,467	3,644
Tax provision	117,238	7,284
Other payables and accruals	11,992	12,134
TOTAL LIABILITIES	215,359	260,596
NET ASSET VALUE OF THE FUND	81,060,588	99,540,287
EQUITY		
Unitholders’ capital	68,042,350	84,029,647
Retained earnings	13,018,238	15,510,640
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	81,060,588	99,540,287
NUMBER OF UNITS IN CIRCULATION	121,142,000	145,073,000
NET ASSET VALUE PER UNIT (RM)	0.6691	0.6861

AFFIN HWANG ABSOLUTE RETURN FUND III

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2022	81,610,793	14,056,833	95,667,626
Total comprehensive loss for the financial period	-	(1,038,595)	(1,038,595)
Movement in unitholders' capital:			
Creation of units arising from applications	148,888	-	148,888
Cancellation of units	(13,717,331)	-	(13,717,331)
Balance as at 31 March 2023	68,042,350	13,018,238	81,060,588
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	84,029,647	15,510,640	99,540,287

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