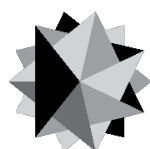


# Affin Hwang

## Flexible Maturity Income Fund 17

Quarterly Report  
31 August 2020

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 FLEXIBLE MATURITY INCOME FUND 17

## Quarterly Report and Financial Statements As at 31 August 2020

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 Flexible Maturity Income Fund 17
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Five (5) years
Termination Date	24 December 2024
Benchmark	5-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

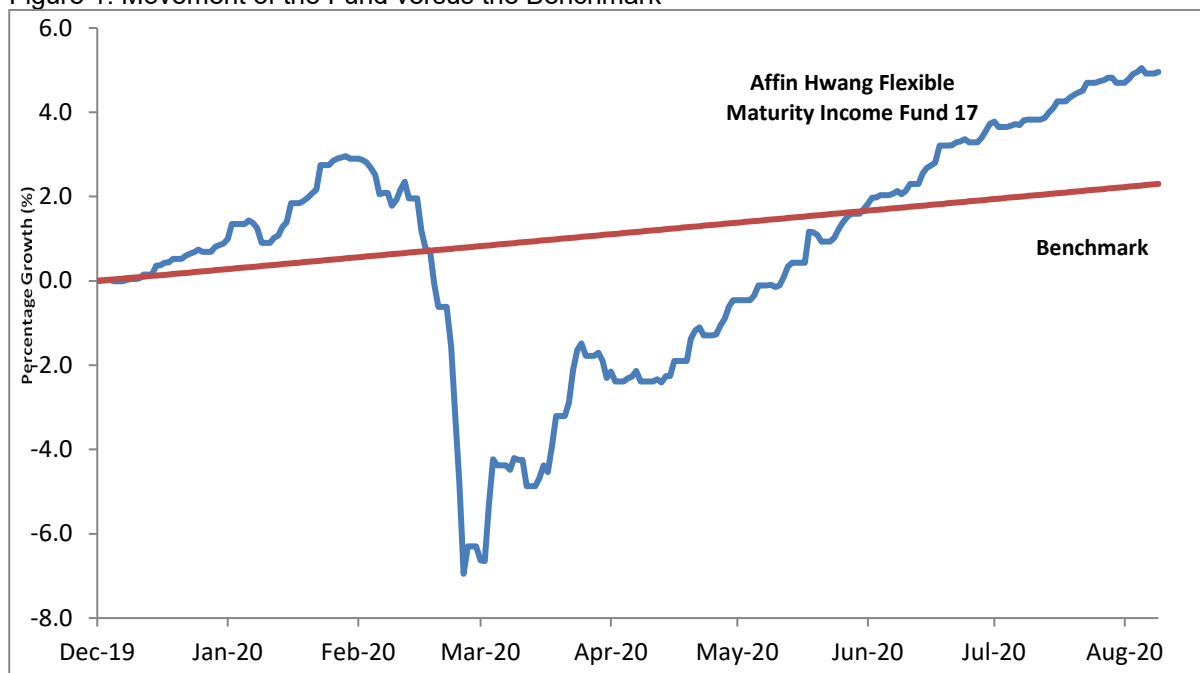
### FUND PERFORMANCE DATA

Category	As at 31 Aug 2020	As at 31 May 2020
Total NAV (RM'million)	161.256	153.470
NAV per Unit (RM)	1.0496	0.9989
Unit in Circulation (million)	153.638	153.638

Table 1: Performance as at 31 August 2020

	<b>3 Months</b> <b>(1/6/20 - 31/8/20)</b>	<b>6 Months</b> <b>(1/3/20 - 31/8/20)</b>	<b>Since Commencement</b> <b>(24/12/19 - 31/8/20)</b>
<b>Fund</b>	<b>5.05%</b>	<b>2.81%</b>	<b>4.96%</b>
<b>Benchmark</b>	<b>0.83%</b>	<b>1.67%</b>	<b>2.30%</b>
<b>Outperformance</b>	<b>4.22%</b>	<b>1.14%</b>	<b>2.66%</b>

Figure 1: 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: MBB 5 years Fixed Deposit

**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 August 2020
	(%)
Fixed Income	98.10
Cash & money market	1.90
<b>Total</b>	<b>100.00</b>

### **Strategies Employed**

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

### **Market Review**

Global markets rose with US and Asia outperforming Europe and UK due to the sharp rise in Covid-19 infections in European countries. US supported by economic recovery and monetary policies benefitted from The Fed's decision on using average inflation targeting in setting interest rates, allowing temporary inflation overshoots to compensate for previous periods, whereas Asia saw a positive light following China's successful containment of the virus. Overall, a positive trend in global earnings expectations continued in September as market switches from extreme bearishness to neutral positionings.

Coming into October, the S&P 500 index fell 6.0%, whilst the Nasdaq Composite index plunged 7.7% as a tech rout deepened. Global equities traded erratically following news that US President Donald Trump had tested positive for COVID-19. Following his recovery, markets saw a surge in optimism over the US economy, mainly reflecting vaccine hopes and delayed response to gain in jobs from May to September.

In Asia, the Hong Kong Hang Seng index closed 6.4% lower whilst the broader MSCI Asia ex-Japan index was down 2.6% in October. Government in Hong Kong has also started to ease some of the strict social distancing measures from August 28, allowing venues like cinemas and beauty parlours to reopen as well as restaurants to extend dining hours as the daily number has fallen to low double digit according to Reuters. However, the deal with mainland China to reopen its borders has been paused until Hong Kong succeeds to achieve a stable zero-infection rate. On another note, Singapore and Hong Kong came to a mutual agreement on opening borders to each other since both cities have low incidence of Covid-19 cases.

In August, China's economic data show an outperformance in expectations, notably in the e-commerce sector, with Q2 GDP growth rebounding to 3.2% YoY. The recovery is broadening out with high frequency indicators signalling strong recoveries in the services sectors which lagged previously. Chinese broad market indices rebounded with Shanghai Composite Index up by 1.68% at close, showing a robust recovery in Chinese domestic tourism over the just-ended Golden Week holiday in the first week of October.

Meanwhile, geopolitical tensions between US and China simmered last month as US President Donald Trump issued an executive order forcing China's ByteDance to sell or spin off its US TikTok business. TikTok also confirmed its plan to challenge the executive order which banned its transactions in the US.

The US Commerce Department further added 24 Chinese state-owned firms to an "entity list" of companies that US firms are not allowed to transact with unless they have a special licence to do so. The restrictions were imposed following allegations that these companies had played a role in helping Beijing advance its territorial claims in the South China Sea.

In a tit-for-tat move, we saw China announce new restrictions on technology exports that would cover areas such as computing and data-processing technologies including text analysis, content recommendation, speech modeling and voice-recognition. The move could complicate the sale of TikTok's US operations which is currently being negotiated by multiple parties according to Reuters.

On the domestic front, the local market mirrored regional weakness with the benchmark KLCI falling 2.4% in October, despite the upside from gloves, as political uncertainty dampened sentiment. In a press conference, opposition leader Datuk Seri Anwar Ibrahim claimed that he has secured a "strong, formidable" majority from lawmakers in parliament to oust Prime Minister Tan Sri Muhyiddin Yassin. The news was greeted with scepticism as Anwar has made prior claims before. Though a statement from UMNO president Datuk Seri Dr Ahmad Zahid Hamidi that he has information that many members from UMNO and Barisan Nasional have stated their support for Anwar to form a new government has lent credibility to the claim.

The timing of Anwar's announcement coincided with the Sabah state election which took place at the end of September. Results showed that the Gabungan Rakyat Sabah ("GRS") pact winning the state election with a simple majority of 38 seats. Perikatan Nasional's victory in the Sabah state elections is seen as a boost to Prime Minister Tan Sri Muhyiddin Yassin who currently leads with a razor-thin majority in Parliament. Muhyiddin has indicated that he could call for snap national polls if GRS won the Sabah state elections. The local market is expected to stay flattish as political uncertainty lingers. Politically-linked stocks could come into play as contracts are awarded in the lead-up to elections.

Malaysia's economy shrank 17.1% in 2Q2020; marking its deepest contraction in over 20 years. The GDP contraction was deeper than consensus estimate of -10.9%. A sharp decline was seen in private consumption, investment and net exports. Recent spike in Covid cases in October have beaten down re-opening sectors, although avoidance of hard lockdowns bodes well for economic recovery.

Due to the weaker than expected GDP numbers, Bank Negara Malaysia ("BNM") has revised its expectations for the full year 2020 GDP growth to a range of -5.5% to -3.5% (from the previous -2.0% to 0.5% estimate). However, BNM is expecting a sharp rebound in 2021 with growth of 5.5% to 8.0%.

## **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 following the low death rates despite the rise in infections. The accelerated efforts to shorten the timeline for a successful vaccine inoculation also lessened market's response towards increasing infection rates. Economic restarts have since moved at different paces between countries, each depending on their own ways of dealing with Covid-19. President Trump later instilled optimism by initiating a new US stimulus bill negotiation, surging global equities higher.

However, prospects for additional US fiscal stimulus has since dimmed and could be delayed until the next Congress gets seated. The US elections have generated higher market volatility due to the uncertainty in election odds.

Irrespective of whether Trump or Pence leads the White House, we are likely to see a continuation of similar Republican policies, keeping the government in status quo. These include policies related to any decision concerning taxes, minimum wage, climate policies and infrastructure spending that could impact US stocks. If Biden wins the presidential election, US stocks will see modestly higher tax rates, but that will be offset by higher US infrastructure spending and temporarily lower risk of a trade war. A Biden presidency may be positive for the Asian stock markets. Biden prides himself as one who respects international laws, supporting more coordinated foreign policies. Trade tensions might ease, with technology sector equities and high-yield credits benefitting provided the ongoing Huawei and TikTok issues can be solved amicably. Biden's clean energy revolution plan could also revitalise US' energy sector and create more well-paying jobs, further boosting US economy. Considering that the World Trade Organisation ("WTO") has recently ruled Trump's China tariff as illegal, Biden may also consider reducing or removing tariffs on China imports.

The recent death of Supreme Court Justice Ruth Bader Ginsburg has cast further uncertainty as the race to the White House heats up, also potentially delaying US fiscal stimulus 4.0 and spurring declines in the healthcare sector. US President Donald Trump has announced conservative federal appeal court judge Amy Coney Barrett as his Supreme Court nominee to replace Ginsburg. Barrett is a favourite amongst religious conservatives and her appointment could help Trump boost his popularity amongst his conservative supporters ahead of the election.

The worldwide Covid-19 death toll has since breached the 1 million mark, with US cases remaining stable at a high rate and Europe battling new waves. The shift in infections to younger age groups and more effective treatments however ensured Europe's continuous recovery despite the increasing infection rates. It is also more exposed to global trade than US, thus will benefit from the rebound in Chinese demand. Europe's exposure to financials, cyclical sectors such as energy and industrials, will potentially outperform in the second phase of recovery when economy continues to pick up as yield curve steepens. US dollar should weaken as economy recovers globally given its counter-cyclical behaviour, with more economically sensitive currencies appreciating instead, including euro and British sterling that are undervalued. However, British sterling faces higher volatility due to Brexit negotiations.

On the other hand, recent alarming increase in Covid-19 cases caused targeted lockdowns in Malaysia, potentially delaying economic recovery although remaining positive on a full rebound by 2021. From a bottom-up perspective, markets are still focused on more export-oriented industries i.e. gloves, electromotive force and technology stocks. Politics pose as minor distraction seeing how the peak of political risk has passed after Sabah election results were released. However, the risk to policy continuity caused by uncertainty of a majority win could lead to potential loss on FDI opportunities to other emerging market countries.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2020

Financial  
period ended  
31.08.2020  
RM

#### INVESTMENT INCOME

Interest income from financial assets at amortised cost	183,633
Interest income from financial assets at fair value through profit or loss	5,000,463
Net loss on foreign currency exchange	(139,211)
Net loss on forward foreign currency contracts at fair value through profit or loss	(724,719)
Net gain on financial assets at fair value through profit or loss	3,593,269
	<u>7,913,435</u>

#### EXPENSES

Management fee	(215,649)
Trustee fee	(43,130)
Fund accounting fee	(6,500)
Auditors' remuneration	(4,640)
Tax agent's fee	(2,030)
Other expenses	(23,437)
	<u>(295,386)</u>

<b>NET PROFIT BEFORE TAXATION</b>	<b>7,618,049</b>
-----------------------------------	------------------

Taxation	-
----------	---

<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>7,618,049</b>
--	------------------

Net profit after taxation is made up of the following:

Realised amount	5,924,581
Unrealised amount	1,693,468
	<u>7,618,049</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

### STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2020

2020  
RM

#### ASSETS

Cash and cash equivalents	1,701,449
Financial assets at fair value through profit or loss	160,601,057
Forward foreign currency contracts at fair value through profit or loss	165,238
<b>TOTAL ASSETS</b>	<b>162,467,744</b>

#### LIABILITIES

Forward foreign currency contracts at fair value through profit or loss	1,171,324
Amount due to Manager - management fee	27,210
Amount due to Trustee	5,442
Auditors' remuneration	4,640
Tax agent's fee	2,030
Other payables and accruals	1,049
<b>TOTAL LIABILITIES</b>	<b>1,211,695</b>

<b>NET ASSET VALUE OF THE FUND</b>	<b>161,256,049</b>
------------------------------------	--------------------

#### EQUITY

Unitholders' capital	153,638,000
Retained earnings	7,618,049

<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>161,256,049</b>
---	--------------------

<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>153,638,000</b>
---------------------------------------	--------------------

<b>NET ASSET VALUE PER UNIT (RM)</b>	<b>1.0496</b>
--------------------------------------	---------------



## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 9 December 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	7,618,049	7,618,049
Movement in unitholders' capital:			
Creation of units arising from applications	153,638,000	-	153,638,000
Balance as at 31 August 2020	<u>153,638,000</u>	<u>7,618,049</u>	<u>161,256,049</u>

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
199701014290 (429786-T)