

Affin Hwang World Series - Asian High Yield Fund

Quarterly Report
31 August 2021

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG WORLD SERIES – ASIAN HIGH YIELD FUND

Quarterly Report and Financial Statements As at 31 August 2021

Contents	Page
QUARTERLY REPORT	2
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN ASSET	9

QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Asian High Yield Fund
Fund Type	Income
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund aims to provide regular income over the medium to long term period
Distribution Policy	Subject to the availability of income, the Fund endeavours to distribute income on a monthly basis, after the end of its first financial year

FUND PERFORMANCE DATA

USD Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	0.707	0.740
NAV per Unit (USD)	0.4901	0.5095
Unit in Circulation (million)	1.442	1.452

MYR-Hedged class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	30.452	34.103
NAV per Unit (RM)	0.4938	0.5117
Unit in Circulation (million)	61.691	66.664

SGD-Hedged class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	0.681	0.578
NAV per Unit (SGD)	0.4876	0.5051
Unit in Circulation (million)	1.396	1.145

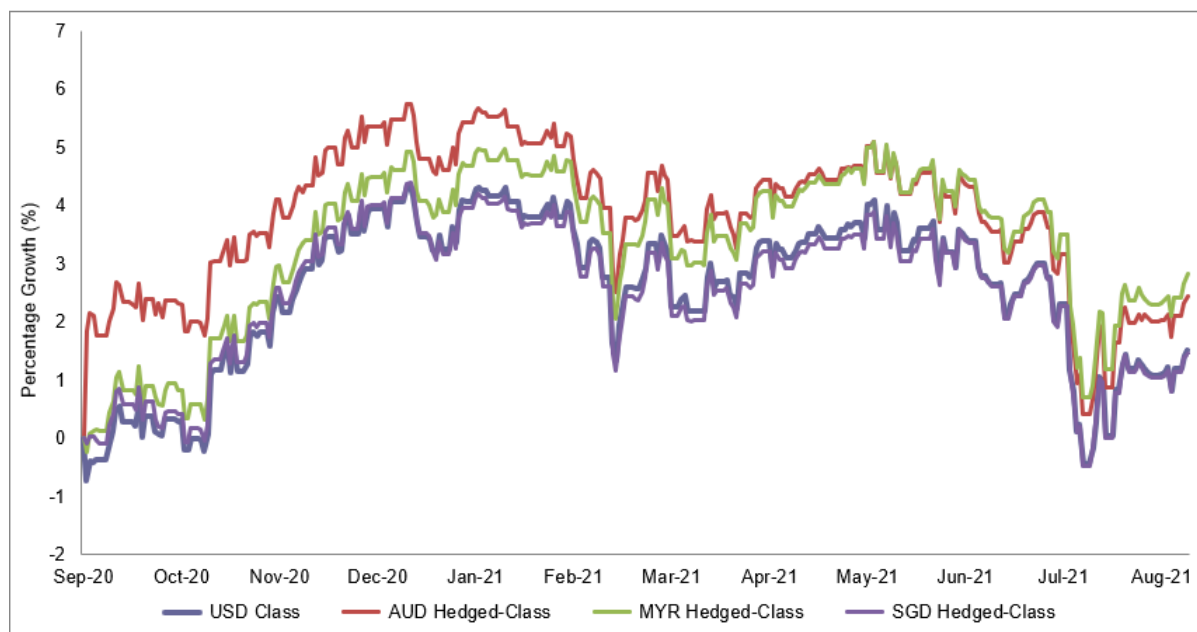
AUD-Hedged class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	1.207	1.320
NAV per Unit (AUD)	0.4915	0.5113
Unit in Circulation (million)	2.456	2.582

Performance as at 31 August 2021

	3 Months (1/6/21 - 31/8/21)	6 Months (1/3/21 - 31/8/21)	Since Commencement (28/9/20 - 31/8/21)
USD Class	(2.40%)	(1.38%)	1.51%
AUD Hedged-Class	(2.41%)	(1.61%)	2.46%
MYR Hedged-Class	(2.09%)	(0.84%)	2.84%
SGD Hedged-Class	(2.26%)	(1.29%)	1.47%

Movement of the Fund since commencement



"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."

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 2021
	(%)
Unit Trust	95.98
Derivative	-0.19
Cash & money market	4.21
Total	100.00

Strategies Employed

The fund returned negatively in September amid the recent market volatility. On a relative basis, the fund benefitted from its favourable selection, most notably in the China high yield property sector. Selection in the property and high yield corporate sectors in Hong Kong also lifted relative returns. In addition, the fund's active duration strategy proved rewarding. Conversely, the fund's selection in the Macau gaming sector and China high yield industrial sectors weighed on relative returns. An underweight in the Indonesia quasi sovereign sectors also did not help as these bonds fared relative well amid the recent volatile market environment.

In terms of overall portfolio allocation, we maintain our overweight in India and Indonesia corporates, particularly the utilities sector for its more defensive nature. In India, we are also overweight selected holdings in the commodity and financial sectors. In Indonesia, apart from the utilities sector, we are also overweight the oil & gas and coal mining sectors which are expected to benefit from an improving global growth outlook. At the same time, we are also overweight the property sector on an individual bond selection basis. Meanwhile, we have also retained our overweight in the China property sector. However, we are selective in this space and expect greater credit differentiation going forward against a tightened policy backdrop. On the other hand, we are underweight sectors where we find valuations unattractive. For instance, we are underweight Philippines and Hong Kong. Similarly, we are also underweight sovereign and quasi sovereign bonds as well as bank subordinated debt. In terms of duration strategy, we are now broadly neutral and continue to manage the fund's duration actively as we expect US treasury yields to remain in a range over the short to medium terms. While the recent increase in energy and commodity prices has raised concerns over inflationary pressure, we believe expectation for tapering to begin later in the year / early next year in the US is widely expected and therefore largely reflected in current levels. The on-going COVID situation in the US is also likely to weigh on consumer sentiment and provide some offset to the increased inflation expectation.

Market Review

Asian credit market posted one of its worst returns since March 2020 as a sharp sell-off in both high yield and investment grade markets erased the positive gains in August. US treasury yield curve rose in the month, weighing on overall credit performance. During the month, the Federal Open Market Committee (FOMC) of the US Federal Reserve (Fed) left the target range for the federal funds rate at 0.00-0.25%, as expected. On asset purchases, however, the Fed stated that if the economy progresses "broadly as expected the Committee judges that a moderation in the pace of asset purchases may soon be warranted". The guidance on asset purchases and comments by Chair Powell during the press conference suggest tapering could be announced as soon as the November meeting. The median expectation for the FOMC is now for the rates to start rising by late 2022, rather than during 2023 as in the June projections, and for the federal funds rate to reach 1.00% by the end of 2023. The more hawkish than expected policy tone has led to broadly higher yields along the curve.

Investment grade bonds continue to outperform high yield bonds in the month, as credit spreads widened significantly in the latter. In the investment grade space, most of the sectors reported negative performances in the month, highlighted by larger declines in the consumer, TMT, industrial and real estate sectors. Drop in the consumer sector was largely attributable to the Macau gaming bonds, which underperformed after government started seeking consultation on potential changes in regulatory framework that might affect gaming license renewals and limit dividend payout of the casino operators, on top of a new wave of COVID-19 outbreak. Internet bonds also suffered after the recent releases of China Internet Development Report and Youth Internet Usage Report 2021, which re-ignited media discussions over the regulations of China Internet sector. Industrial corporates performances suffered in the week, attributable to a mix of surging power demand, soaring fuel costs and government decarbonisation policies in China. In the high yield space, China real estate continued to be the key contributor to the sharp sell-off. A worsening credit situation in one of the China's largest real estate developers was further exacerbated as it entered a 30-day grace period after missing a coupon payment on one of its USD bonds. On the back of that, the China real Estate sector performed poorly and dragged the overall Asian credit market's September return.

Investment Outlook

Volatility in the Asian high yield market intensified since the end of August, driven lower by pockets of distress in the China Property sector, which has subsequently spread to other parts of the market.

History suggests that this would be a very bad time to sell Asian High Yield. In previous times of distress including the Lehman crisis, the taper tantrum of 2013 and the COVID sell off last year, the market has always bounced back very sharply and suddenly at the point at which good parts of the market become irrationally cheap- we believe that we may be close to or at this point now. The average rebound following these three historical episodes was over 7% over the first month of recovery and a remarkable 24% over six months.

A catalyst for the recovery could be a policy response from the Chinese authorities to ease generalised nervousness about the economy and its impact on the important residential property sector. Meanwhile, recent fund flows have remained resilient, which may imply more value seeking investors believe that there are dislocations between fundamentals and valuations. In the short term, increased credit divergence means spreads are likely to hover around the current level for the rest of 2021. Stringent credit selection and the clear understanding of policy directives are vital to identify the risks and opportunities and position for a more meaningful spread compression in 2022 when policy coordination gathers momentum and the property sector overhang eases.

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

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

Financial
period ended
31.8.2021
USD

INVESTMENT INCOME

Dividend income	492,636
Interest income from financial assets at amortised cost	435
Net loss on foreign currency exchange	(202)
Net loss on forward foreign currency contracts at fair value through profit or loss	(36,076)
Net loss on financial assets at fair value through profit or loss	(381,315)
	<u>75,478</u>

EXPENSES

Management fee	(116,913)
Trustee fee	(2,348)
Auditors' remuneration	(1,700)
Tax agent's fee	(662)
Other expenses	(1,086)
	<u>(122,709)</u>

NET LOSS BEFORE FINANCE COST AND TAXATION	(47,231)
--	-----------------

FINANCE COST

Distributions	(368,715)
---------------	-----------

NET LOSS BEFORE TAXATION	(415,946)
---------------------------------	------------------

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

DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(415,946)

Decrease in net asset attributable to
unitholders is made up of the following:

Realised amount	45,735
Unrealised amount	(461,681)
	<u>(415,946)</u>

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2021

2021
USD

ASSETS

Cash and cash equivalents	454,544
Amount due from broker	203
Amount due from Manager	
- creation of units	1,184
- management fee rebate receivable	60,219
Dividend receivable	63,816
Financial assets at fair value through profit or loss	9,046,509
Forward foreign currency contracts at fair value through profit or loss	27,181
TOTAL ASSETS	9,653,656

LIABILITIES

Forward foreign currency contracts at fair value through profit or loss	45,179
Amount due to broker	90,654
Amount due to Manager	
- management fee	11,944
- cancellation of units	77,723
Amount due to Trustee	239
Auditors' remuneration	1,701
Tax agent's fee	662
Other payables and accruals	173
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	228,275

NET ASSET VALUE OF THE FUND 9,425,381

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS 9,425,381

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

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

2021
USD

REPRESENTED BY:

FAIR VALUE OF OUTSTANDING UNITS

- AUD Hedged-class	879,867
- MYR Hedged-class	7,332,534
- SGD Hedged-class	506,221
- USD Class	706,759
	9,425,381

NUMBER OF UNITS IN CIRCULATION

- AUD Hedged-class	2,456,000
- MYR Hedged-class	61,691,000
- SGD Hedged-class	1,396,000
- USD Class	1,442,000
	66,985,000

NET ASSET VALUE PER UNIT (USD)

- AUD Hedged-class	0.3583
- MYR Hedged-class	0.1189
- SGD Hedged-class	0.3626
- USD Class	0.4901

NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES

- AUD Hedged-class	AUD0.4915
- MYR Hedged-class	RM0.4938
- SGD Hedged-class	SGD0.4876
- USD Class	USD0.4901

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2021

Financial
period ended
31.8.2021
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	11,572,060
- AUD Hedged-class	1,177,095
- MYR Hedged-class	9,002,528
- SGD Hedged-class	556,860
- USD Class	835,577
Creation of units arising from distributions	352,631
- AUD Hedged-class	40,039
- MYR Hedged-class	274,193
- SGD Hedged-class	14,683
- USD Class	23,716
Cancellation of units	(2,083,364)
- AUD Hedged-class	(304,210)
- MYR Hedged-class	(1,607,159)
- SGD Hedged-class	(49,457)
- USD Class	(122,538)
Decrease in net assets attributable to unitholders during the financial period	(415,946)
- AUD Hedged-class	(33,057)
- MYR Hedged-class	(337,028)
- SGD Hedged-class	(15,865)
- USD Class	(29,996)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	9,425,381

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)