

Affin Hwang World Series - China Growth Fund

Quarterly Report
31 August 2022

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
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TRUSTEE
HSBC (Malaysia) Trustee Berhad (1281-T)

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

Quarterly Report and Financial Statements As at 31 August 2022

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – China Growth Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period through investments in China equities
Benchmark	MSCI China 10/40 Index
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

MYR Class

Category	As at 31 Aug 2022	As at 31 May 2022
Total NAV (million)	94.873	97.862
NAV per Unit (RM)	0.8503	0.8738
Unit in Circulation (million)	111.603	112.018

USD Class

Category	As at 31 Aug 2022	As at 31 May 2022
Total NAV (million)	8.386	8.773
NAV per Unit (USD)	0.4719	0.4931
Unit in Circulation (million)	17.772	17.789

MYR-Hedged Class

Category	As at 31 Aug 2022	As at 31 May 2022
Total NAV (million)	163.795	170.168
NAV per Unit (RM)	0.4779	0.4988
Unit in Circulation (million)	342.735	341.161

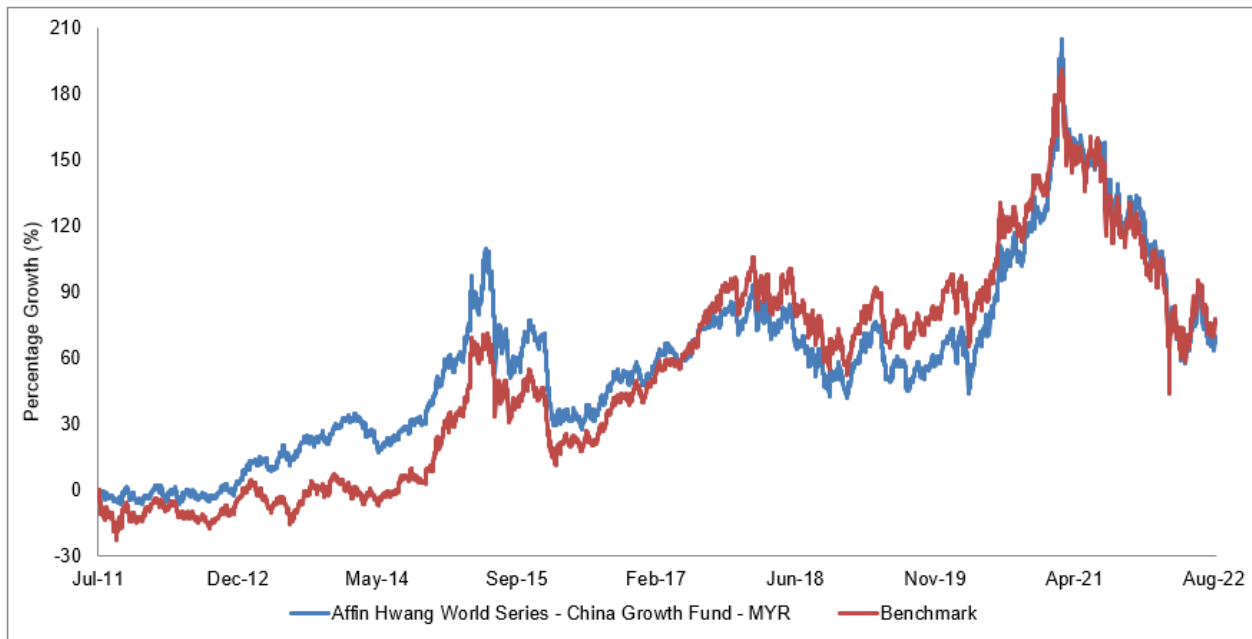
MYR Class

Performance as at 31 August 2022

	3 Months (1/6/22 - 31/8/22)	6 Months (1/3/22 - 31/8/22)	1 Year (1/9/21 - 31/8/22)	3 Years (1/9/19 - 31/8/22)	5 Years (1/9/17 - 31/8/22)	Since Commencement (1/8/11 - 31/8/22)
Fund	(4.09%)	(14.55%)	(27.69%)	10.36%	(6.52%)	67.62%
Benchmark	(0.68%)	(7.20%)	(21.61%)	2.67%	(4.36%)	76.61%
Outperformance	(3.41%)	(7.35%)	(6.08%)	7.69%	(2.16%)	(8.99%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



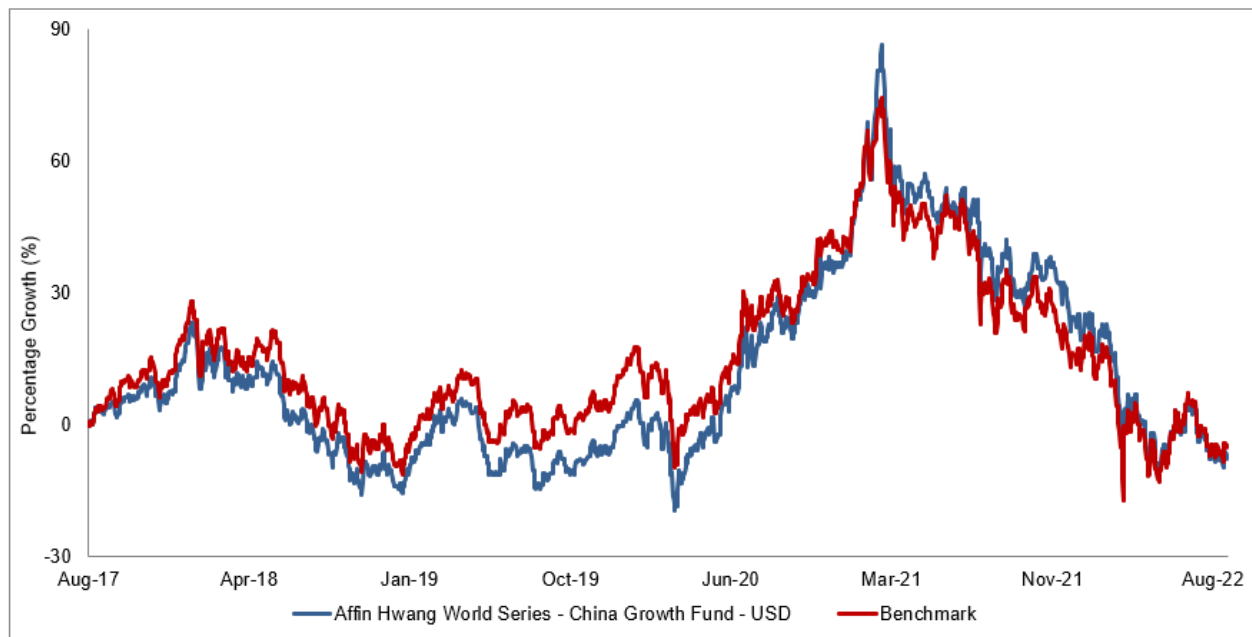
USD Class

Performance as at 31 August 2022

	3 Months (1/6/22 - 31/8/22)	6 Months (1/3/22 - 31/8/22)	1 Year (1/9/21 - 31/8/22)	3 Years (1/9/19 - 31/8/22)	5 Years (1/9/17 - 31/8/22)	Since Commencement (15/8/17 - 31/8/22)
Fund	(6.19%)	(19.85%)	(32.89%)	3.79%	(10.75%)	(7.48%)
Benchmark	(2.86%)	(13.09%)	(27.25%)	(3.27%)	(8.76%)	(4.78%)
Outperformance	(3.33%)	(6.76%)	(5.64%)	7.06%	(1.99%)	(2.70%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



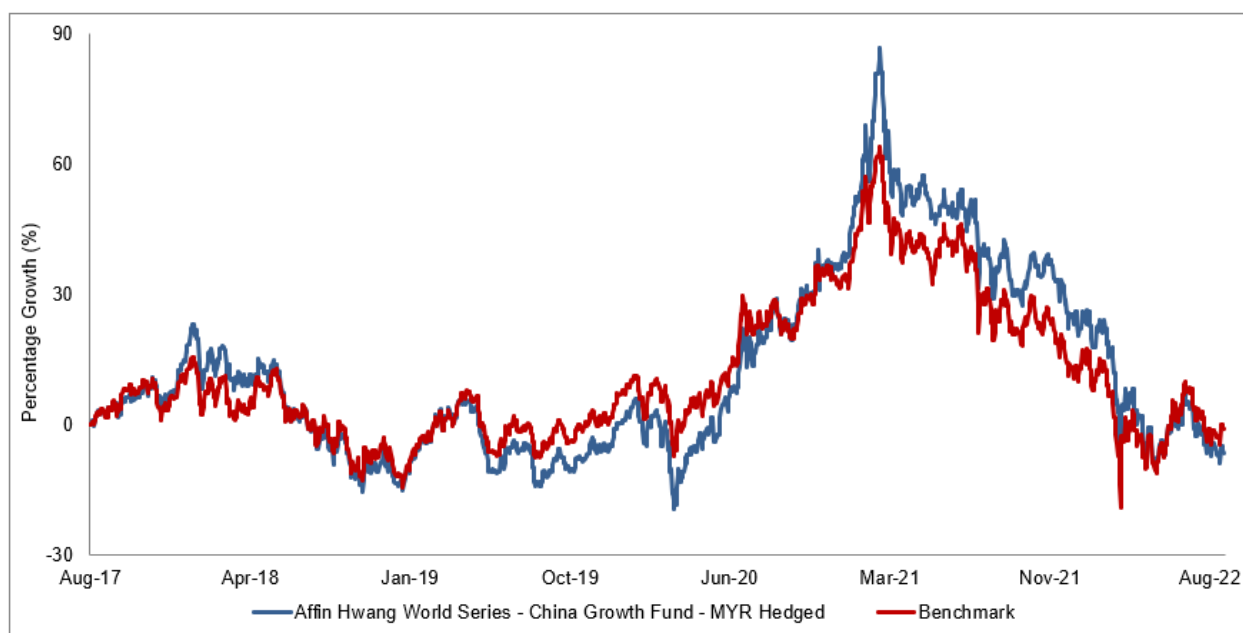
MYR Hedged-Class

Performance as at 31 August 2022

	3 Months (1/6/22 - 31/8/22)	6 Months (1/3/22 - 31/8/22)	1 Year (1/9/21 - 31/8/22)	3 Years (1/9/19 - 31/8/22)	5 Years (1/9/17 - 31/8/22)	Since Commencement (15/8/17 - 31/8/22)
Fund	(6.07%)	(19.75%)	(32.29%)	4.62%	(9.21%)	(6.30%)
Benchmark	(0.68%)	(7.20%)	(21.61%)	2.67%	(4.36%)	(0.73%)
Outperformance	(5.39%)	(12.55%)	(10.68%)	1.95%	(4.85%)	(5.57%)

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: MSCI China 10/40 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:

	<u>31 August 2022</u>
	(%)
Unit Trust	98.09
Derivative	-1.05
Cash & money market	2.96
Total	<u>100.00</u>

Strategies Employed

The BGF China Fund adopts a flexible style and has a focus on the structural change and reform in China. The portfolio seeks to capture full spectrum of opportunities for a changing China through access to full range of China-focused stocks. The structural reform focus offers dynamic opportunity to uncover reform beneficiaries and optimal investment themes in new and old economies.

Market Review

Uncertainty has been an ongoing theme in economies over the past year. Fiscal and monetary adjustments as governments and central banks strive to rein in inflation for a soft landing continue to affect markets, increasing volatility. Geopolitical instability also remains a major concern due to the protracted Russia-Ukraine conflict. The double whammy of a global pandemic coupled with geopolitical tensions has been troubling markets as economic activities were limited and the friction between the two nations further exacerbated market volatility by inciting supply chain disruptions.

At the start of the year, investment markets started to take seriously the potential implications of a change in monetary policy direction as inflationary pressures showed little signs of abating. As the last quarter of 2022 draws closer, we have seen numerous interest rates hikes over the year. The US Federal Reserve (Fed) has raised the fed funds rate by three percentage points within the span of 6 months to address inflationary pressures.

Global markets slumped lower in August as the Fed signalled that there will be no let-up in its quest to quell inflation by tightening monetary policy. As a result, the Standard & Poor (S&P) 500 index fell 4.3% as hopes that the Fed would pivot anytime soon to loosen monetary policy is dampened. At the annual Jackson Hole economic symposium in August this year, Fed Chair Jerome Powell reiterated that the Fed is committed to raising interest rates until it is confident that inflation is sufficiently brought under control. Powell acknowledged that a tighter monetary policy may adversely affect US consumers and businesses due to higher borrowing costs but added that a premature loosening policy could lead to a much worse outcome if inflation continued unchecked.

Similar to US markets, Eurozone shares fell in August due to ongoing inflationary worries. The euro area annual inflation rate was 9.1% in August, a considerable increase compared to 3.0% a year ago. The highest contributor to the annual inflation rate is the energy sector, followed by food, alcohol and tobacco. The energy crisis across Europe was exacerbated as Russia said it would halt the Nord Stream 1 pipeline. Russia has already cut its gas supplies to EU states by 88% over the year.

In Asia the broader MSCI Asia ex-Japan index plunged 12.9% in August, Taiwan and Korea being among the worst performers in the region as the two export-driven countries saw waning demand for tech goods on the back of a global slowdown. Indonesia on the other hand was the best-performing major Asia-Pacific index for the year, with the Jakarta composite index up 6.51% since the start of the year.

According to state media, China plans to launch a real estate fund of up to 300.0 billion yuan (US\$44.0 billion) to help developers complete stalled projects. The People's Bank of China (PBoC) is also said to be issuing 1.0 trillion yuan (US\$148.2 billion) to ease a liquidity crunch in the sector. China went through a sharp slowdown in April and May this year due to strict lockdown in major cities in the country. However, despite having relaxed Covid-19 restrictions as the number of new cases decline, and the government's effort in stimulating the economy from both monetary and fiscal perspective, the path to economic recovery seems rocky and non-linear. The Shanghai Shenzhen CSI300 Index was down 2.2% for the month of August as the region continue to reel from a property slump.

Bond yields continue to rise in August 2022 as central banks maintained hawkishness, resulting in further negative returns in an environment of continued high inflation and expectations of significant interest rate hikes. The US 10-year Treasury rose from 2.64% in July to 3.13% in August, with the two-year rising from 2.90% to 3.45%. The UK gilt market performed relatively worse than most government bond markets as inflation in UK hit 10% in July, surprising markets and raised expectations of a faster pace of rate hikes.

In the domestic market, the Kuala Lumpur Composite Index (KLCI) edged 1.3% higher in August 2022 as earnings season roll-out. Most companies' results were in line with expectations with exporters coming out on

top as beneficiaries of a weaker Ringgit. All eyes will be on the upcoming tabling of Budget 2023 slated in October.

On local fixed income, the 10-year MGS yield rose 9 basis points (bps) to end the month at 3.99%. Malaysia's gross domestic product (GDP) expanded by 8.9% in the second quarter of 2022 year on year, buoyed by an improvement seen in consumption for both manufacturing and services segment as well as exports since Malaysia's border reopening in April this year.

Investment Outlook

Markets are set to remain challenging for the rest of 2022. In developed markets, rising inflation and tight monetary policy may continue to hamper the recovery of risk assets. Recent hawkish comments by Jerome Powell, the Chair of the U.S. Federal Reserve, during the Jackson Hole Economic Symposium in August 2022 have curbed expectations of a transition to looser monetary policy anytime soon.

Following an order by the U.S. government in early September 2022 preventing chipmakers including Nvidia and Advanced Micro Devices (AMD) from exporting specific advanced chips to China, bilateral relationships between the U.S. and China may worsen further. On a positive note, delisting fears for U.S. listed Chinese stocks have alleviated to some extent on the news of an agreement between both governments over the auditing dispute being reached.

Asian markets may continue to see weakness. Korea and Taiwan have underperformed thus far as manufacturing gauges for both countries slumped in August 2022. Chinese markets were not spared following renewed lockdowns in major cities. Nevertheless, easing COVID-19 restrictions and policymakers signalling an end to the regulatory crackdown have given hope of a recovery in the Chinese markets.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

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

	Financial period ended <u>31.8.2022</u> USD	Financial period ended <u>31.8.2021</u> USD
INVESTMENT LOSS		
Interest income from financial assets at amortised cost	1,711	665
Net loss on foreign currency exchange	(936)	(25,110)
Net loss on forward foreign currency contracts at fair value through profit or loss	(815,565)	(252,438)
Net loss on financial assets at fair value through profit or loss	(3,952,563)	(6,869,108)
	<u>(4,767,353)</u>	<u>(7,145,991)</u>
EXPENSES		
Management fee	(311,754)	(351,947)
Trustee fee	(8,664)	(9,783)
Auditors' remuneration	(489)	(489)
Tax agent's fee	(214)	(214)
Other expenses	(232)	(257)
	<u>(321,353)</u>	<u>(362,690)</u>
NET LOSS BEFORE TAXATION	(5,088,706)	(7,508,681)
Taxation	-	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>(5,088,706)</u>	<u>(7,508,681)</u>
Decrease in net asset attributable to unitholders are made up of the following:		
Realised amount	(1,611,870)	(753,535)
Unrealised amount	(3,476,836)	(6,755,146)
	<u>(5,088,706)</u>	<u>(7,508,681)</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

	<u>2022</u> USD	<u>2021</u> USD
ASSETS		
Cash and cash equivalents	2,700,851	565,089
Amount due from broker	400,189	3,843,496
Amount due from Manager		
- creation of units	44,613	386,082
- management fee rebate receivable	41,092	47,704
Financial assets at fair value through profit or loss	63,779,620	77,358,625
Forward foreign currency contracts at fair value through profit or loss	19,938	209,816
TOTAL ASSETS	<u>66,986,303</u>	<u>82,410,812</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	701,170	143,345
Amount due to broker	-	560,000
Amount due to Manager		
- management fee	100,598	118,202
- cancellation of units	1,159,014	984,180
Amount due to Trustee	2,794	3,284
Auditors' remuneration	784	634
Tax agent's fee	1,041	1,025
Other payables and accruals	994	1,094
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>1,966,395</u>	<u>1,811,764</u>
NET ASSET VALUE OF THE FUND	<u>65,019,908</u>	<u>80,599,048</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>65,019,908</u>	<u>80,599,048</u>

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022 (CONTINUED)

	<u>2022</u> USD	<u>2021</u> USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class	20,722,123	31,860,216
- MYR-Hedged Class	36,101,031	37,463,894
- USD Class	8,196,754	11,274,938
	<u>65,019,908</u>	<u>80,599,048</u>
NUMBER OF UNITS IN CIRCULATION		
- MYR Class	110,634,000	114,156,000
- MYR-Hedged Class	344,821,000	224,896,000
- USD Class	17,718,000	16,357,000
	<u>473,173,000</u>	<u>355,409,000</u>
NET ASSET VALUE PER UNIT (USD)		
- MYR Class	0.1873	0.2791
- MYR-Hedged Class	0.1047	0.1666
- USD Class	0.4626	0.6893
	<u>0.1873</u>	<u>0.2791</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class	RM0.8381	RM1.1591
- MYR-Hedged Class	RM0.4685	RM0.6919
- USD Class	USD0.4626	USD0.6893
	<u>RM0.8381</u>	<u>RM1.1591</u>

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2022

	Financial period ended <u>31.8.2022</u> USD	Financial period ended <u>31.8.2021</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	70,029,598	76,085,304
Movement due to units created and cancelled during the financial period:		
Creation of units arising from applications	2,839,851	19,745,357
- MYR Class	1,705,697	12,969,673
- MYR-Hedged Class	1,062,588	4,890,637
- USD Class	71,566	1,885,047
Cancellation of units	(2,760,835)	(7,722,932)
- MYR Class	(1,999,610)	(4,803,576)
- MYR-Hedged Class	(661,817)	(2,223,241)
- USD Class	(99,408)	(696,115)
Net decrease in net assets attributable to unitholders during the financial period	(5,088,706)	(7,508,681)
- MYR Class	(1,349,921)	(2,368,308)
- MYR-Hedged Class	(3,190,798)	(4,002,066)
- USD Class	(547,987)	(1,138,307)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>65,019,908</u></u>	<u><u>80,599,048</u></u>

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