

Affin Hwang

Flexible Maturity Income Fund 16

Quarterly Report
31 August 2022

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



AFFIN HWANG
CAPITAL

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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

Quarterly Report and Financial Statements As at 31 August 2022

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 16
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	7 November 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 2022	As at 31 May 2022
Total NAV (RM'million)	162.452	171.270
NAV per Unit (RM)	0.9102	0.9564
Unit in Circulation (million)	178.487	179.080

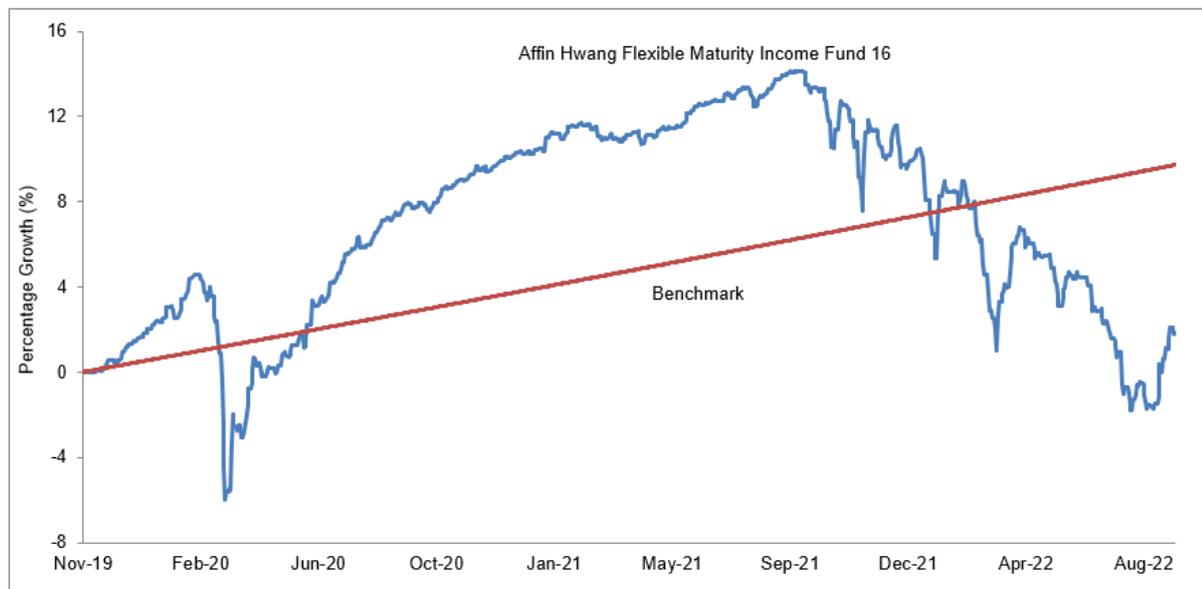
Fund Performance

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)	Since Commencement (7/11/19 - 31/8/22)
Fund	(2.60%)	(4.07%)	(10.69%)	1.81%
Benchmark	0.83%	1.67%	3.35%	9.73%
Outperformance	(3.43%)	(5.74%)	(14.04%)	(7.92%)

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: 5-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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>
	(%)
Fixed Income	96.33
Derivative	-0.47
Cash & money market	4.14
Total	100.00

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

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.

Locally, election rumours have begun circulating. The United Malays National Organisation (UMNO) Supreme Council nominated Datuk Seri Ismail Sabri Yaakob as the Prime Minister for the 15th General Election (GE15) following a meeting between council members. According to political analysts, the timing of GE15 would be highly dependent on whether UMNO would be allowed by the Registrar of Societies (RoS) to amend its party constitution to delay its party polls. Assuming a full-term, Parliament would need to be dissolved by 16 July 2023. By the latest, election would need then to be held by 14 September 2023.

In other news, Malaysia's Consumer Price Index (CPI) for July 2022 accelerated by 4.4% year-on-year, its highest in 14 months as food and beverage prices remained as the main contributor to inflation. The latest reading marks a full percentage jump from June 2022's figures, though largely in line with consensus estimates. Bank Negara Malaysia (BNM) is still expected to remain gradual and accommodative in its current rate hiking cycle.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

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

	Financial period ended <u>31.8.2022</u> RM	Financial period ended <u>31.8.2021</u> RM
INVESTMENT (LOSS)/INCOME		
Interest income from financial assets at amortised cost	29,088	15,580
Interest income from financial assets at fair value through profit or loss	7,017,742	7,161,897
Net loss on foreign currency exchange	(3,160)	(857)
Net loss on forward foreign currency contracts at fair value through profit or loss	(3,198,868)	(2,120,394)
Net (loss)/gain on financial assets at fair value through profit or loss	(16,819,639)	2,864,072
	<u>(12,974,837)</u>	<u>7,920,298</u>
EXPENSES		
Management fee	(258,717)	(296,784)
Trustee fee	(51,743)	(59,357)
Fund accounting fee	(9,750)	(9,750)
Auditors' remuneration	(6,244)	(6,006)
Tax agent's fee	(2,732)	(2,628)
Other expenses	(36,255)	(37,275)
	<u>(365,441)</u>	<u>(411,800)</u>
NET (LOSS)/PROFIT BEFORE TAXATION	(13,340,278)	7,508,498
Taxation	(341,207)	-
NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD	<u>(13,681,485)</u>	<u>7,508,498</u>
Net (loss)/profit after taxation is made up of the following:		
Realised amount	(1,751,174)	7,625,207
Unrealised amount	(11,930,311)	(116,709)
	<u>(13,681,485)</u>	<u>7,508,498</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

	<u>2022</u> RM	<u>2021</u> RM
ASSETS		
Cash and cash equivalents	4,283,720	8,677,303
Financial assets at fair value through profit or loss	162,778,767	188,248,341
Forward foreign currency contracts at fair value through profit or loss	584,874	3,132,044
Tax recoverable	-	3,700
TOTAL ASSETS	<u>167,647,361</u>	<u>200,061,388</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	1,365,569	65,517
Amount due to Manager - management fee	27,671	33,806
Amount due to Trustee	5,534	6,761
Auditors' remuneration	6,244	6,006
Tax agent's fee	2,732	2,628
Tax payable	336,062	-
Other payables and accruals	1,065	501
TOTAL LIABILITIES	<u>1,744,877</u>	<u>115,219</u>
NET ASSET VALUE OF THE FUND	<u>165,902,484</u>	<u>199,946,169</u>
EQUITY		
Unitholders' capital (Accumulated losses)/retained earnings	177,710,435 (11,807,951)	182,757,514 17,188,655
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>165,902,484</u>	<u>199,946,169</u>
NUMBER OF UNITS IN CIRCULATION	<u>178,099,000</u>	<u>183,153,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.9315</u>	<u>1.0917</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

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

	Unitholders' <u>capital</u> RM	(Accumulated losses)/ retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 December 2021	181,441,414	1,873,534	183,314,948
Total comprehensive loss for the financial period	-	(13,681,485)	(13,681,485)
Movement in unitholders' capital:			
Cancellation of units	(3,730,979)	-	(3,730,979)
Balance as at 31 August 2022	<u>177,710,435</u>	<u>(11,807,951)</u>	<u>165,902,484</u>
Balance as at 1 December 2020	186,706,027	9,680,157	196,386,184
Total comprehensive income for the financial period	-	7,508,498	7,508,498
Movement in unitholders' capital:			
Cancellation of units	(3,948,513)	-	(3,948,513)
Balance as at 31 August 2021	<u>182,757,514</u>	<u>17,188,655</u>	<u>199,946,169</u>

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