



QUARTERLY REPORT
31 August 2024

AHAM
Flexible Maturity
Income Fund 18

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AHAM Asset Management Berhad
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AHAM FLEXIBLE MATURITY INCOME FUND 18

Quarterly Report and Financial Statements As at 31 August 2024

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Flexible Maturity Income Fund 18
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	16 June 2025
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 2024	As at 31 May 2024
Total NAV (RM'million)	174.390	184.827
NAV per Unit (RM)	0.7793	0.8031
Unit in Circulation (million)	223.776	230.152

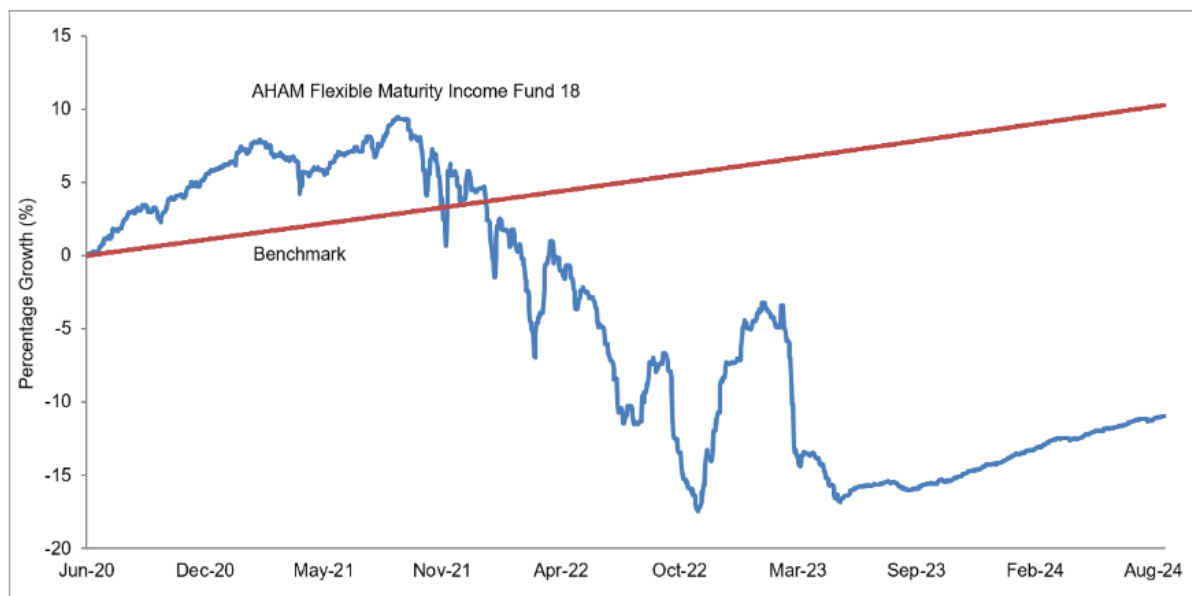
Fund Performance

Performance as at 31 August 2024

	3 Months (1/6/24 - 31/8/24)	6 Months (1/3/24 - 31/8/24)	1 Year (1/9/23 - 31/8/24)	3 Years (1/9/21 - 31/8/24)	Since Commencement (16/6/20 - 31/8/24)
Fund	1.12%	2.43%	6.06%	(18.57%)	(10.94%)
Benchmark	0.59%	1.18%	2.36%	7.22%	10.28%
Outperformance	0.53%	1.25%	3.70%	(25.79%)	(21.22%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



"This information is prepared by AHAM 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. 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:

	31 August 2024
	(%)
Fixed Income	92.53
Derivative	3.66
Cash & money market	3.81
Total	100.00

Income Distribution Breakdown

No distribution was declared by the Fund over the financial period under review.

Strategies Employed

The Flexible Maturity Income Fund series have historically employed a more passive buy and hold to maturity strategy. The Manager would invest in a portfolio of bonds with maturities that closely match the respective funds and monitor the credit fundamentals of these issuers throughout the life of the funds. However, given the heightened volatility and unprecedented rate hikes, the Manager has taken a more active style of investing, including progressively rebalancing the portfolios and focus on trading in new and existing issuances to improve the return potential.

Over the quarter under review, the Manager has continued to overweight Investment Grade (IG) bonds for the Fund. By favouring IG assets over High Yield (HY) instruments, it aligns the portfolio with a more conservative

risk profile. The Manager have also prudently rebalanced the portfolio duration of the Fund to mitigate the impact of rising rates on the Fund's performance. The Fund's duration closely matched the Funds' maturities.

Market Review

Over the three-month period ending August 2024, the U.S. government bond market exhibited notable resilience, primarily driven by a combination of macroeconomic factors and shifts in Federal Reserve policy. The Treasury Index recorded a gain of 1.28% in August, reflecting a broader trend of recovery following a period of volatility earlier in the year. Investors showed increased confidence in U.S. government bonds as a safe haven amidst global economic uncertainties, particularly as inflationary pressures began to ease. The performance of longer-dated Treasuries was particularly strong, with the 10-year yield experiencing fluctuations but ultimately stabilizing around 3.9% as of early September, indicating a cautious optimism among investors regarding future economic conditions.

In terms of U.S. Treasury yields, the period saw significant movements influenced by expectations of interest rate cuts by the Federal Reserve. The yield curve remained inverted, with the two-year yield at approximately 4.67% and the ten-year yield at around 4.2% as of mid-June, suggesting that investors anticipated a decline in long-term interest rates. As economic data indicated a cooling inflation rate, market participants began pricing in a potential reduction in borrowing costs, with expectations for a 25 basis point cut in the upcoming September meeting. This sentiment was reflected in the market, where traders adjusted their positions in anticipation of a more accommodative monetary policy environment from the Fed.

Key economic data during this period played a crucial role in shaping bond market movements. Notably, the U.S. labor market showed signs of strength, with robust job additions and a declining unemployment rate, which initially raised concerns about inflation persistence. However, subsequent reports indicated a moderation in inflation rates, with the Consumer Price Index (CPI) reflecting a year-on-year increase of around 3.1% in August. This data contributed to a more favorable outlook for bond investors, as it suggested that the Fed's aggressive rate hikes in previous years might be nearing an end, thereby supporting the bond market's performance.

In Asia, corporate bonds also demonstrated positive performance, with credit spreads tightening significantly. The Bloomberg U.S. Corporate Investment Grade Index reported a gain of 1.57% in August, driven by strong demand for higher-rated bonds. Factors influencing this trend included a robust issuance environment, with nearly \$129 billion in fixed-rate gross investment-grade supply, and a significant inflow of \$33.4 billion into long-term taxable bond mutual funds. The tightening of credit spreads was particularly evident in sectors such as sovereigns and asset management, while lower-rated sectors faced more pressure, highlighting a flight to quality among investors.

Globally, other key developments included ongoing geopolitical tensions and their implications for financial markets. The volatility in energy prices, particularly concerning oil, continued to create uncertainty, impacting investor sentiment across various asset classes, including bonds. Additionally, concerns regarding currency fluctuations, particularly in Japan, added to the cautious outlook among investors. Overall, the bond market's performance during this period reflects a complex interplay of domestic economic indicators and global geopolitical dynamics, underscoring the importance of adaptive investment strategies in navigating these challenges.

In Malaysia, Bank Negara Malaysia has continuously kept the Overnight Policy Rate unchanged at 3% since the last hike seen in May 2023, supported by the relatively moderate inflation and the central bank's stance to support growth. This together with strong demand for MYR denominated bonds translated to lower local bond market yields in both the government bonds and private debt securities space.

Investment Outlook

The outlook for global government bonds over the next 12 months is shaped by anticipated shifts in monetary policy and macroeconomic conditions. As central banks, particularly the Federal Reserve, signal potential interest rate cuts in response to economic uncertainties, government bonds may benefit from increased demand. Lower interest rates typically lead to higher bond prices, providing opportunities for capital gains for investors holding longer-duration bonds. Furthermore, with yields on government bonds remaining relatively attractive compared to historical standards, they are likely to attract risk-averse investors seeking stability amidst market volatility. However, the pace of economic recovery and inflation dynamics will be critical factors influencing bond performance, as unexpected inflation could erode real returns.

In the Asian corporate bond market, the outlook appears cautiously optimistic, driven by a combination of high yields and improving credit conditions. With many Asian economies showing signs of resilience, corporate bonds offer attractive income streams. Investors are encouraged to focus on credit quality, as the risk of defaults remains a concern, particularly in sectors still recovering from the pandemic's impact. Additionally, the shift towards sustainable finance and ESG (Environmental, Social, and Governance) criteria is likely to create opportunities for corporate issuers that align with these values, potentially enhancing their credit profiles and attracting a broader investor base. However, geopolitical tensions and regional economic disparities may pose challenges that investors need to navigate carefully.

Closer to home, Malaysia is on track for a 4% to 5% GDP growth in 2024, supported by sectors such as construction, agriculture, manufacturing, and services, as well as improving terms of trade. At the same time, reported inflation has been benign, around 2% in June, though there is potential upside risk related to subsidy rationalization. Overall, policy rates are expected to remain relatively stable, as Bank Negara appears to prefer a steady and accommodative policy stance. MYR-denominated bonds have seen very strong demand, supported by liquidity, which has benefited bond prices, especially in the corporate bond sector.

In terms of risks and opportunities in bond investments, several factors must be considered. Interest rate risk remains a significant concern, as rising rates can lead to declining bond prices, particularly for long-duration securities. On the positive note, we view that interest rates are more likely to be cut over the next twelve months, which will be supportive of bond prices. Inflation has moderated but the risk remains as it can erode the purchasing power of fixed income returns, making it crucial for investors to assess the real yield of their bond holdings. On the opportunity side, the current environment allows for active management strategies, where investors can capitalize on mispriced securities through diligent credit analysis and duration management. Moreover, the growing emphasis on ESG factors presents a dual opportunity to enhance returns while contributing to sustainable practices, particularly in the corporate bond space. Thus, while risks persist, the potential for attractive returns through strategic investment choices remains robust.

The Manager would like to emphasize that the final performance of the Funds upon maturity will depend on various market conditions. Throughout the Fund's remaining tenure, the Manager will continue to monitor market dynamics closely, identify prudent investment opportunities, and implement risk management strategies aimed at achieving the best possible outcomes for investors.

State of Affairs of the Fund

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2024

	Financial period ended <u>31.8.2024</u> RM	Financial period ended <u>31.8.2023</u> RM
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	31,226	61,743
Interest income from financial assets at fair value through profit or loss	4,620,918	4,597,907
Net loss on foreign currency exchange	(766,725)	(351,333)
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	11,176,116	(6,095,810)
Net loss on financial assets at fair value through profit or loss	<u>(10,437,882)</u>	<u>(21,636,397)</u>
	<u>4,623,653</u>	<u>(23,423,890)</u>
EXPENSES		
Management fee	(182,440)	(193,628)
Trustee fee	(36,488)	(38,726)
Fund accounting fee	(6,500)	(6,500)
Auditors' remuneration	(4,147)	(4,169)
Tax agent's fee	(1,814)	(1,825)
Other expenses	<u>(30,781)</u>	<u>(29,944)</u>
	<u>(262,170)</u>	<u>(274,792)</u>
NET PROFIT/(LOSS) BEFORE TAXATION	4,361,483	(23,698,682)
Taxation	-	<u>(560,311)</u>
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>4,361,483</u>	<u>(24,258,993)</u>
Net profit/(loss) after taxation is made up of the following:		
Realised amount	(4,583,187)	(38,020,319)
Unrealised amount	<u>8,944,670</u>	<u>13,761,326</u>
	<u>4,361,483</u>	<u>(24,258,993)</u>

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2024

	<u>2024</u> RM	<u>2023</u> RM
ASSETS		
Cash and cash equivalents	4,544,402	13,607,569
Amount due from dealers	-	11,190
Financial assets at fair value through profit or loss	163,796,561	171,836,543
Forward foreign currency contracts at fair value through profit or loss	6,398,456	290,062
TOTAL ASSETS	<u>174,739,419</u>	<u>185,745,364</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	20,322	674,520
Amount due to Manager		
- management fee	29,573	31,384
- cancellation of units	-	75,864
Amount due to Trustee	5,915	6,277
Fund accounting fee	1,083	1,083
Auditors' remuneration	4,147	4,169
Tax agent's fee	5,314	5,325
Tax payable	282,176	603,200
Other payables and accruals	1,036	1,000
TOTAL LIABILITIES	<u>349,566</u>	<u>1,402,822</u>
NET ASSET VALUE OF THE FUND	<u>174,389,853</u>	<u>184,342,542</u>
EQUITY		
Unitholders' capital	229,905,580	243,145,360
Accumulated losses	(55,515,727)	(58,802,818)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>174,389,853</u>	<u>184,342,542</u>
NUMBER OF UNITS IN CIRCULATION	<u>223,776,000</u>	<u>240,738,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.7793</u>	<u>0.7657</u>

AHAM FLEXIBLE MATURITY INCOME FUND 18

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2024

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 March 2024	237,865,842	(52,403,250)	185,462,592
Total comprehensive income for the financial period	-	4,361,483	4,361,483
Distribution	-	(7,473,960)	(7,473,960)
Movement in unitholders' capital:			
Cancellation of units	(7,960,262)	-	(7,960,262)
Balance as at 31 August 2024	<u>229,905,580</u>	<u>(55,515,727)</u>	<u>174,389,853</u>
Balance as at 1 March 2023	246,990,927	(29,927,794)	217,063,133
Total comprehensive loss for the financial period	-	(24,258,993)	(24,258,993)
Distribution	-	(4,616,031)	(4,616,031)
Movement in unitholders' capital:			
Cancellation of units	(3,845,567)	-	(3,845,567)
Balance as at 31 August 2023	<u>243,145,360</u>	<u>(58,802,818)</u>	<u>184,342,542</u>

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