Affin Hwang
Income Focus Fund 3

Quarterly Report
31 July 2020

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 INCOME FOCUS FUND 3

Quarterly Report and Financial Statements
As at 31 July 2020

Contents	Page

QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Income Focus Fund 3
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Duration of the Fund	Three (3) years close-ended Fund
Termination Date	21 December 2020
Benchmark	12-month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis

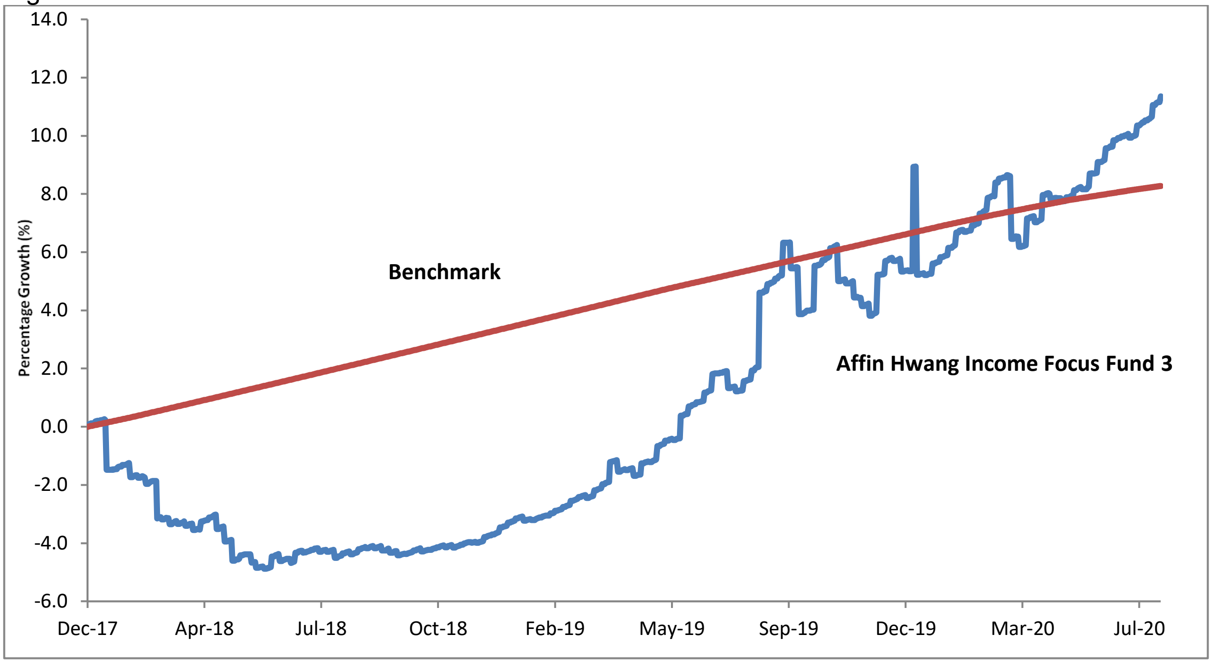
FUND PERFORMANCE DATA

Category	As at 31 Jul 2020	As at 30 Apr 2020
Total NAV (RM'million)	138.006	133.774
NAV per Unit (RM)	1.0759	1.0421
Unit in Circulation (million)	128.274	128.371

Table 1: Performance as at 31 July 2020

	3 Months (1/5/20 - 31/7/20)	6 Months (1/2/20 - 31/7/20)	1 Year (1/8/19 - 31/7/20)	Since Commencement (20/12/17 - 31/7/20)
Fund	**3.24%**	**4.39%**	**9.57%**	**11.36%**
Benchmark	**0.52%**	**1.18%**	**2.75%**	**8.28%**
Outperformance / (Underperformance)	**2.72%**	**3.21%**	**6.82%**	**3.08%**

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: MBBD12M FD

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 July 2020
	(%)
Cash & money market	100.00
Total	**100.00**

Strategies Employed

The Manager maintained a high level of investment in domestic fixed deposits. To date, the Manager is comfortable with the deposits that have been placed by the Fund in respect of the bank's credit and fundamentals.

Market Review

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing. The global equities trended lower as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US$2 trillion relief package to cushion its economy. The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in "good financial standing". Similarly, the EU proposed a European Stability Mechanism ("ESM") which offers a credit line of up to 240 billion Euros to EU members.

Tensions between the two global powerhouse rose recently after China ordered the US to close its Chengdu-based consulate. The order followed the US closure of the Chinese consulate in Houston. On the other hand, remarks by US President Donald Trump that he will move to ban Chinese-owned video app TikTok in the US also added fuel to this fire.

Technology companies have been leading gains in the US stock market despite the slowdown in the economy due to COVID-19. Gold price which has a historical negative correlation to the US dollar has surged to new highs this year as investors flock to the safe heaven asset.

On commodities, crude oil prices slid by about 35% YTD as at end of July, after oil prices rebounded in June following a move by Organization of the Petroleum Exporting Countries ("OPEC") and its oil-producing allies to extend the group's historic production cut.

On the domestic front, the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia's economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.
In July, the local market tracked regional gains with benchmark KLCI closing 6.9% higher while local politics and courtroom news dominated newsflow as former Prime Minister Datuk Seri Najib Razak was found guilty by the High Court of all seven charges of abuse of power, criminal breach of trust and money laundering in relation to RM42 million belonging to SRC International Sdn Bhd, a former subsidiary of 1MDB.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises ("SMEs") and RM2 billion to strengthen the country's economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10billion package to help SMEs cope during the pandemic.

Recent placement exercises by Tenaga Nasional Bhd ("TNB") and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

Investment Outlook

Economic lockdowns have triggered a rapid and sharp decline in growth. It may take time for the global economy and corporates to recover back to pre-COVID-19 levels. Though, massive stimulus from central banks and governments will help alleviate economic pain.

Although the number of daily new cases may rise again as economies re-open, we are seeing a number of positive developments that may help prevent infection and mortality rates from rising back to its peak in March/April for many countries. The general public is much more careful now by wearing masks in public areas and maintaining hygiene as they adapt to a new normal. Thus, behavioural changes within society can help to stem the spread of infection.

The supply of masks and PPEs are also much higher today than a few months ago as manufacturers increase production to meet demand. Hospitals and medical facilities are also much more prepared after increasing ICU beds and ventilators. Governments have also ramped-up contact tracing capabilities that will help in the process of reopening economies. The research and development process to find a cure is also gathering pace with a number of vaccines already in Phase 3 trials. With a better medical arsenal to combat against the pandemic, expectations are that the second wave will not result in higher mortality rates unlike past pandemics.

We also saw mortality rates remain under control with a better medical arsenal to combat against the pandemic. Medical front-liners and hospitals are more prepared now in treating patients diagnosed with the virus. There are also positive signs which show that re-purposed drugs such as Remdesivir and Dexamethasone are effective in treating COVID-19.

On the other hand, tensions between the two global powerhouse is expected to continue ahead of the US Presidential Elections in November as Trump has taken a more aggressive foreign policy stance to shore up political support and boost his approval ratings.

Gold price which has a historical negative correlation to the US dollar has surged to new highs this year as investors flock to the safe haven asset.

AFFIN HWANG INCOME FOCUS FUND 3

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 JULY 2020

	Financial period ended 31.7.2020 RM	Financial period ended 31.7.2019 RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	3,762,276	3,745,827
Interest income from financial assets at fair value through profit or loss	4,576,130	-
Net gain on foreign currency exchange	8,084	-
Net loss on forward foreign currency contracts at fair value through loss or profit	(11,877)	-
Net (loss)/gain on unquoted derivatives at fair value through loss or profit	(398,249)	3,629,920
Exit fee income	-	19,760
	7,936,364	7,395,507
EXPENSES		
Trustee fee	(30,138)	(28,379)
Auditors' remuneration	(6,557)	(5,984)
Tax agent's fee	(2,295)	(2,618)
Fund accounting fee	(5,000)	-
Other expenses	(3,916)	(1,599)
	(47,906)	(38,580)
NET PROFIT BEFORE TAXATION	7,888,458	7,356,927
TAXATION	-	(4,599)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	7,888,458	7,352,328

Net profit after taxation is made up of the following:

Realised amount	8,286,707	3,722,408
Unrealised amount	(398,249)	3,629,920
	7,888,458	7,352,328

AFFIN HWANG INCOME FOCUS FUND 3

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2020

	2020 RM	2019 RM
ASSETS		
Cash and cash equivalents	131,096,076	126,139,652
Financial assets at fair value through profit or loss	7,025,894	4,343,506
Tax recoverable	6,622	565
TOTAL ASSETS	138,128,592	130,483,723
LIABILITIES		
Amount due to Manager - cancellation of units	103,703	-
Amount due to Trustee	3,482	3,322
Auditors' remuneration	6,557	5,984
Tax agent's fee	3,695	7,518
Other payables and accruals	5,152	4,375
TOTAL LIABILITIES	122,589	21,199
NET ASSET VALUE OF THE FUND	138,006,003	130,462,524
EQUITY		
Unitholders' capital	128,269,479	128,373,181
Retained earnings	9,736,524	2,089,343
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	138,006,003	130,462,524
NUMBER OF UNITS IN CIRCULATION	128,274,000	128,371,000
NET ASSET VALUE PER UNIT (RM)	1.0759	1.0163

AFFIN HWANG INCOME FOCUS FUND 3

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

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 November 2019	128,373,181	6,418,074	134,791,255
Total comprehensive income for the financial period	-	7,888,458	7,888,458
Distribution	-	(4,570,008)	(4,570,008)
Movement in unitholders' capital:			
Cancellation of units arising from applications	(103,702)	-	(103,702)
Balance as at 31 July 2020	128,269,479	9,736,524	138,006,003
Balance as at 1 November 2018	128,769,000	(5,262,985)	123,506,015
Total comprehensive income for the financial period	-	7,352,328	7,352,328
Movement in unitholders' capital:			
Cancellation of units arising from applications	(395,819)	-	(395,819)
Balance as at 31 July 2019	128,373,181	2,089,343	130,462,524

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