

Affin Hwang

Income Extra Fund

Quarterly Report
31 July 2022

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



AFFIN HWANG
CAPITAL

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

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AFFIN HWANG INCOME EXTRA FUND

Quarterly Report and Financial Statements As at 31 July 2022

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Income Extra Fund
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide investors with a steady income stream by investing in debentures, money market instruments and/or deposits
Benchmark	Maybank 1-month fixed deposit rate
Distribution Policy	Subject to the availability of income, the Fund will make distribution to the Unit Holders on quarterly basis. However, the amount of income available for distribution may fluctuate from year to year.

FUND PERFORMANCE DATA

Category	As at 31 Jul 2022	As at 30 Apr 2022
Total NAV (RM'million)	870.238	953.042
NAV per Unit (RM)	1.0287	1.0269
Unit in Circulation (million)	845.982	928.065

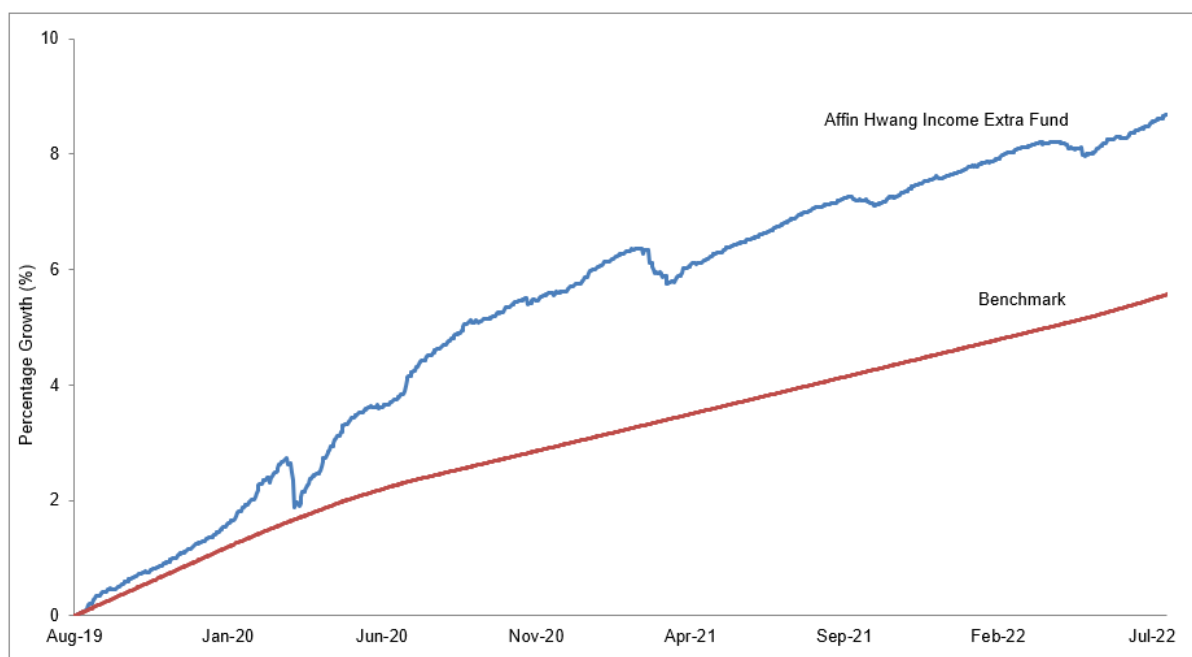
Fund Performance

Table 1: Performance as at 31 July 2022

	3 Months (1/5/22 - 31/7/22)	6 Months (1/2/22 - 31/7/22)	1 Year (1/8/21 - 31/7/22)	Since Commencement (16/8/19 - 31/7/22)
Fund	0.60%	0.80%	1.67%	8.74%
Benchmark	0.44%	0.81%	1.57%	5.58%
Outperformance	0.16%	(0.01%)	0.10%	3.16%

Source of Benchmark: Bloomberg

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. Source of Benchmark is from Bloomberg."
Benchmark: Maybank 1-month fixed deposit rate

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 2022
	(%)
Fixed Income	65.76
Cash & money market	34.24
Total	100.00

Strategies Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both the 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

Global markets were turbulent over the last year. Recessionary fears gripped both developed and emerging markets, with sentiments being dampened by the rising geopolitical tensions, supply chain issues, and high inflation.

Geopolitical tensions have hit their highest point in decades. The Ukrainian-Russian conflict caused energy and food prices to surge, while further disrupting the already strained global supply chain. Regionally, U.S.-China tensions have hit historical lows over Taiwan and a broader range of trade disputes.

In the developed markets, central banks reversed their initial dovish stance from 2021. Multi-decade high inflation data has forced many central banks to aggressively hike interest rates since early 2022. Most prominently, the U.S. Federal Reserve ("Fed") has raised rates by 2.25% since the start of the year.

U.S. equities were muted owing to inflation woes, with the Standard & Poor ("S&P") 500 index ending 13.3% lower year-to-date as of July 2022. Developed market equities as a whole treaded cautiously as the U.S. Fed reaffirmed its hawkish stance to better combat inflationary pressures.

Regionally, the Morgan Stanley Capital International ("MSCI") Asia ex-Japan Index closed 18.6% lower year-to-date as of July 2022, dragged by losses in China which continues to reel from a property slump. Other Asian markets including Korea and India remain under pressure from decalining regional demand.

On the data-front, China's GDP missed expectations by only growing 0.4% year-on-year in the second quarter (2Q) of 2022, in part due to the disruptive COVID lockdowns across the country. In June 2022, President Xi Jinping reaffirmed the country's pledge to achieve its economic and social targets this year through various policy levers; setting eyes on an ambitious GDP growth target of 5.5%.

Regulatory pressure in China has yet to fully subside. This has been part of a wider "Common Prosperity" drive by Beijing to narrow the income gap and increase the political legitimacy of the Chinese Communist Party ("CCP"), which celebrated its 100th anniversary in 2021. The potential delisting of U.S. listed Chinese companies further weighed on sentiments.

The Chinese credit market remained challenging in the face of further ratings downgrades. This is despite positive news in July 2022 that the Chinese government planned 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 planning to issue 1.0 trillion yuan (US\$148.2 billion) to ease the liquidity crunch in the sector.

Domestically, the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("KLCI") was down 4.8% year-to-date as of July 2022. The initial optimism from an economic reopening in late 2021 was quelled by the announcement of a one-off prosperity tax ("Cukai Makmur") during the tabling of Budget 2022 in October 2021. This was a negative surprise to local equity markets, which were forced to pare down earnings forecasts.

More recently, 2Q'22 earnings season saw tech stocks emerge as a clear winner with most companies delivering results above expectations and recovering slightly from the deep tech rout earlier in 2022. In contrast, plantation stocks erased most of their year-to-date gains as crude palm oil ("CPO") prices normalised on the lifting of Indonesia export ban in May 2022.

Political uncertainty beginning back in 2020 has continued to weigh on the local market. This was partially abated with the appointment of Datuk Seri Ismail Sabri Sabri bin Yaakob as the 9th Prime Minister of Malaysia after securing the majority support of 114 MPs in August 2021. His appointment resolved the political impasse following the resignation of Tan Sri Muhyiddin Yassin, who faced a turbulent tenure due to the alleged mishandling of the pandemic as well as a rare royal rebuke. A bipartisan agreement between the government and opposition parties was reached to maintain political stability in the country. Part of the memorandum of understanding ("MoU") included parliamentary reforms, strengthening institutions, and the enactment of an anti-hopping law.

On the COVID front, daily cases have calmed since the high in points in 2021, with 97.0% of the adult population having been vaccinated with at least 2 doses and 10.0% having already gotten their booster shot by December 2021. Prime Minister Datuk Seri Ismail Sabri announced Malaysia's transition to the endemic phase of COVID starting April 2022.

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 INCOME EXTRA FUND

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

	Financial period ended 31.7.2022 RM	Financial period ended 31.7.2021 RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	2,113,411	840,189
Interest income from financial assets at fair value through profit or loss	4,675,168	2,035,685
Net (loss)/gain on financial assets fair value through profit or loss	(357,423)	663,394
	<u>6,431,156</u>	<u>3,539,268</u>
EXPENSES		
Management fee	(824,467)	(383,734)
Trustee fee	(94,676)	(43,953)
Fund accounting fee	(3,000)	(3,000)
Auditors' remuneration	(2,091)	(2,017)
Tax agent's fee	(914)	(882)
Other expenses	(2,355)	(1,462)
	<u>(927,503)</u>	<u>(435,048)</u>
NET PROFIT BEFORE TAXATION	5,503,653	3,104,220
Taxation	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>5,503,653</u>	<u>3,104,220</u>
Net profit after taxation is made up of the following:		
Realised amount	6,387,520	2,629,164
Unrealised amount	(883,867)	475,056
	<u>5,503,653</u>	<u>3,104,220</u>

AFFIN HWANG INCOME EXTRA FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2022

	<u>2022</u> RM	<u>2021</u> RM
ASSETS		
Cash and cash equivalents	307,690,932	157,145,528
Financial assets at fair value through profit or loss	577,005,029	351,745,183
TOTAL ASSETS	<u>884,695,961</u>	<u>508,890,711</u>
LIABILITIES		
Amount due to dealers	14,145,295	5,000,000
Amount due to Manager		
- management fee	271,755	145,635
Amount due to Trustee	31,058	16,644
Auditors' remuneration	2,091	10,017
Tax agent's fee	4,414	4,382
Other payables and accruals	3,402	2,975
TOTAL LIABILITIES	<u>14,458,015</u>	<u>5,179,653</u>
NET ASSET VALUE OF THE FUND	<u>870,237,946</u>	<u>503,711,058</u>
EQUITY		
Unitholders' capital	866,875,417	496,986,524
Retained earnings	3,362,529	6,724,534
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>870,237,946</u>	<u>503,711,058</u>
NUMBER OF UNITS IN CIRCULATION	<u>845,982,000</u>	<u>487,040,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>1.0287</u>	<u>1.0342</u>

AFFIN HWANG INCOME EXTRA FUND

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

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2022	951,283,980	1,758,047	953,042,027
Total comprehensive income for the financial period	-	5,503,653	5,503,653
Distributions	-	(3,899,171)	(3,899,171)
Movement in unitholders' capital:			
Creation of units arising from applications	35,590,096	-	35,590,096
Creation of units arising from distributions	3,702,232	-	3,702,232
Cancellation of units	(123,700,891)	-	(123,700,891)
Balance as at 31 July 2022	<u>866,875,417</u>	<u>3,362,529</u>	<u>870,237,946</u>
Balance as at 1 May 2021	307,650,335	6,625,191	314,275,526
Total comprehensive income for the financial period	-	3,104,220	3,104,220
Distributions	-	(3,004,877)	(3,004,877)
Movement in unitholders' capital:			
Creation of units arising from applications	209,965,817	-	209,965,817
Creation of units arising from distributions	2,915,164	-	2,915,164
Cancellation of units	(23,544,792)	-	(23,544,792)
Balance as at 31 July 2021	<u>496,986,524</u>	<u>6,724,534</u>	<u>503,711,058</u>

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