



QUARTERLY REPORT
31 July 2024

AHAM Flexible Maturity Income Fund 21

MANAGER
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AHAM FLEXIBLE MATURITY INCOME FUND 21

Quarterly Report and Financial Statements As at 31 July 2024

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	AHAM Flexible Maturity Income Fund 21
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	14 December 2026
Benchmark	5-year 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 Jul 2024	As at 30 Apr 2024
Total NAV (RM'million)	73.090	73.773
NAV per Unit (RM)	0.8675	0.8554
Unit in Circulation (million)	84.250	86.245

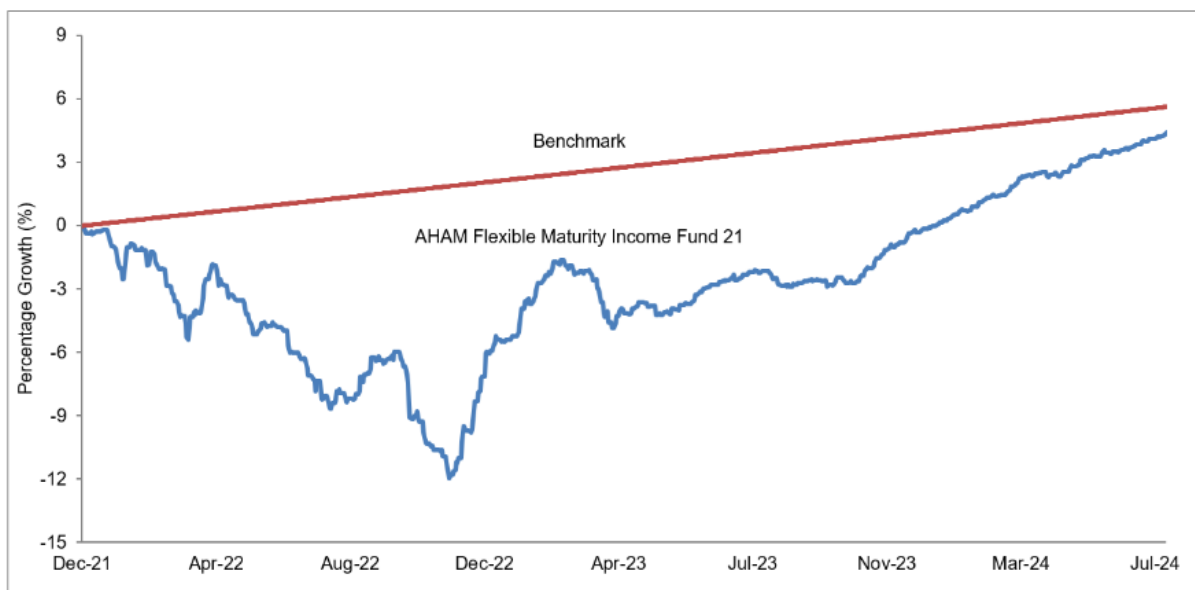
Fund Performance

Performance as at 31 July 2024

	3 Months (1/5/24 - 31/7/24)	6 Months (1/2/24 - 31/7/24)	1 Year (1/8/23 - 31/7/24)	Since Commencement (13/12/21 - 31/7/24)
Fund	1.84%	3.61%	6.74%	4.41%
Benchmark	0.53%	1.04%	2.11%	5.63%
Outperformance	1.31%	2.57%	4.63%	(1.22%)

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 July 2024
	(%)
Fixed Income	93.07
Derivative	0.41
Cash & money market	6.52
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 bond 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 during 2022-2023, 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.

The Manager have implemented several key measures to enhance the risk profile and resilience of the Funds in response to prevailing market conditions. One of the pivotal decisions was the complete exit from China property bonds. This was premised on the liquidity and credit challenges faced by China property

developers. Persistently weak property sales, coupled with government policies that have not fully addressed underlying issues, led the Manager to believe that these challenges were unlikely to be swiftly resolved. Furthermore, the decision of many issuers to prioritize onshore bonds over offshore bonds signalled prolonged and uncertain timelines for the restructuring of defaulted bonds, with anticipated low recovery values, if any.

The Manager took proactive measures starting from 2022, actively reducing holdings in the China property sector. By 2023, a strategic decision was made to exit entirely from China property bonds. Crucially, strategic divestments were made, including the complete exit from core holdings such as Country Garden and CIFI Holdings in the first half of 2023. These decisions were made during a period of relatively favourable market sentiment and exit from this segment was mostly completed by July 2023. Over the quarter under review, there have been no changes to our China property exposure. Presently, the fund has only 0.1% of NAV exposure to China property bonds.

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.

There has also been some rebalancing out of MYR credits into a more regional credits denominated in hard currencies over the quarter under review. The Manager sees that the interest rates are higher in some key currencies like USD and AUD, which offer better yield carry. Additionally, given previously high inflation is tapering off, there is prospects of interest rate cuts in the medium term as well. This should augur well for the bonds in the portfolio over the remaining life of Fund.

Market Review

As a recap, the US Federal Reserve (Fed) has aggressively raised interest rates by around 500 basis points (bps) from March 2022 until July 2023. Moreover, central banks started Quantitative Tightening, reining in their balance sheets. These measures previously triggered market adjustments in the global bond market.

Over the 12-month period under review ending July 2024, global bond markets have been better behaved while risk sentiment were more positive as compared to the previous period. The US treasury yields ranged from 3.8% to 5% but were broadly flat from point-to-point at around 4%. Within the period, we have seen markets pricing in multiple rate cuts but at times were quick to reverse that expectation as well. Some notable key economic developments contributing to this was the better-than-expected economic data in the US. That said, we overall saw gradual softening in the developed economies' labour market coupled with lower inflationary data. This has eased pressure on central banks to further normalize interest rates. The Fed has stopped raising interest rates since the middle of 2023, which has translated to mostly unchanged US Fed Fund Rate over the period under review.

In the regional corporate bond space, we have continued to see good performance since the 4th quarter of 2023. Overall, secondary and primary bond issuances in the broader Asia-pacific region have been well supported amid resilient credit profile and improving demand/supply dynamics.

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 current global economic landscape presents both challenges and opportunities. We remain upbeat on quality bonds (such as government or investment grade corporates) as we view US interest rates have likely peaked and is expected to begin cutting interest rates as early as in the second half of 2024. The case is supported by slowing inflation and cooling of the tight labour market. We are also seeing encouraging signs of disinflation in the Shelter component of the US inflationary data. There have been more central banks cutting interest rates in recent months such as European Central Bank and Bank of England. Lower interest rates will be supportive of bond valuations.

In addition, valuations of bonds have turned more attractive. After the sharp rise of interest rates in the last 2-3 years, bonds are offering an attractive yield carry and may benefit from rate cuts in 2024-2025. The Fed Fund Rate today is at 5.5%. The main composition of the Fund's fixed income investments are corporate bonds, diversified regionally and across sectors. We also note that there has been overall strong demand for corporate bonds as compared to the bond supply since the 4th quarter of 2023. These alongside resilient fundamentals have been very supportive of corporate bond credit spreads.

Closer to home, we view Malaysia is on track for a 4% to 5% GDP growth in 2024, supported by sectors such as construction, agriculture, manufacturing, services and improving terms of trade. At the same time, reported inflation has been benign at around 2% in June though we would caution that there is potential upside risk related to subsidy rationalization. Overall, we still expect policy rates to be relatively stable as we view Bank Negara has a preference for a more stable and accommodative policy stance. MYR-denominated bonds have seen very strong demand supported by liquidity, benefitting bond prices especially in the corporate bond space.

On the flipside, it is worth cautioning on some possible scenarios that may have adverse implications on investments. For example, one of the risks is reacceleration of inflation in 2025. This could be anchored by consumer spending if the labour market remains tight. Additionally, the Bank of Japan has exited negative interest rates and yield curve control policy but there will be further speculation on whether the central bank will further normalise its monetary policy, leading to concerns of the unwinding of carry trades. Such events could introduce volatility to markets. On the geopolitical front, there are various conflicts that are unfolding and may have mixed implications. All these warrants closer monitoring and may require nimble adjustments to the portfolio.

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.

AHAM FLEXIBLE MATURITY INCOME FUND 21

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

	Financial period ended 31.7.2024 RM	Financial period ended 31.7.2023 RM
INVESTMENT INCOME/(LOSS)		
Interest income from financial assets at amortised cost	51,002	6,640
Interest income from financial assets at fair value through profit or loss	4,200,716	4,158,848
Net (loss)/gain on foreign currency exchange	(582,068)	343,829
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	3,802,522	(4,215,332)
Net (loss)/gain on financial assets at fair value through profit or loss	(1,255,403)	448,820
	<u>6,216,769</u>	<u>742,805</u>
EXPENSES		
Management fee	(168,172)	(152,117)
Trustee fee	(33,634)	(33,279)
Fund accounting fee	(6,500)	(7,583)
Auditors' remuneration	(4,090)	(4,125)
Tax agent's fee	(1,789)	(1,805)
Other expenses	(18,256)	(13,259)
	<u>(232,441)</u>	<u>(212,168)</u>
NET PROFIT BEFORE TAXATION	5,984,328	530,637
Taxation	-	(402,286)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>5,984,328</u>	<u>128,351</u>
Net profit after taxation is made up of the following:		
Realised amount	3,662,368	(7,149,403)
Unrealised amount	2,321,960	7,277,754
	<u>5,984,328</u>	<u>128,351</u>

AHAM FLEXIBLE MATURITY INCOME FUND 21

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2024

	<u>2024</u> RM	<u>2023</u> RM
ASSETS		
Cash and cash equivalents	7,025,466	7,756,577
Amount due from dealer	1,882,550	-
Financial assets at fair value through profit or loss	161,019,755	160,001,168
Forward foreign currency contracts at fair value through profit or loss	1,543,295	1,485,609
Tax recoverable	478,017	-
TOTAL ASSETS	<u>171,949,083</u>	<u>169,243,354</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	843,340	450,070
Amount due to Manager		
- management fee	28,915	28,559
- cancellations of units	85,829	-
Amount due to Trustee	5,783	5,712
Fund accounting fee	1,083	1,083
Auditors' remuneration	4,090	4,125
Tax agent's fee	5,289	5,305
Tax payable	-	66,225
Deferred tax liabilities	246,001	213,613
Other payables and accruals	-	666
TOTAL LIABILITIES	<u>1,220,330</u>	<u>775,358</u>
NET ASSET VALUE OF THE FUND	<u>170,728,753</u>	<u>168,467,996</u>
EQUITY		
Unitholders' capital	175,133,766	177,334,188
Accumulated losses	(4,405,013)	(8,866,192)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>170,728,753</u>	<u>168,467,996</u>
NUMBER OF UNITS IN CIRCULATION	<u>174,799,000</u>	<u>177,086,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.9767</u>	<u>0.9513</u>

AHAM FLEXIBLE MATURITY INCOME FUND 21

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

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 February 2024	176,896,655	(10,389,341)	166,507,314
Total comprehensive income for the financial period	-	5,984,328	5,984,328
Movement in unitholders' capital:			
Cancellation of units	(1,762,889)	-	(1,762,889)
Balance as at 31 July 2024	<u>175,133,766</u>	<u>(4,405,013)</u>	<u>170,728,753</u>
Balance as at 1 February 2023	179,506,599	(8,994,543)	170,512,056
Total comprehensive income for the financial period	-	128,351	128,351
Movement in unitholders' capital:			
Cancellation of units	(2,172,411)	-	(2,172,411)
Balance as at 31 July 2023	<u>177,334,188</u>	<u>(8,866,192)</u>	<u>168,467,996</u>

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