

Affin Hwang World Series - China Allocation Opportunity Fund

Quarterly Report
31 July 2021

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



AFFIN HWANG
CAPITAL

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AFFIN HWANG WORLD SERIES – CHINA ALLOCATION OPPORTUNITY FUND

Quarterly Report and Financial Statements As at 31 July 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – China Allocation Opportunity Fund	
Fund Type	Growth & Income	
Fund Category	Feeder Wholesale	
Investment Objective	The Fund seeks to achieve capital appreciation and regular income over medium to long term period	
Benchmark	There is no performance benchmark for this Fund	
Distribution Policy	Subject to the availability of income, the Fund endeavours to distribute income for the respective Classes in the following manner, after the end of its first financial year:	
	Class(es)	Distribution Policy
	USD Class	Monthly basis
	MYR Class	
	MYR Hedged-class	Quarterly basis
	SGD Hedged-class	
AUD Hedged-class		

FUND PERFORMANCE DATA

USD Class

Category	As at 31 Jul 2021	As at 30 Apr 2021
Total NAV (RM'million)	7.381	7.969
NAV per Unit (RM)	0.5273	0.5932
Unit in Circulation (million)	13.999	13.432

MYR Class

Category	As at 31 Jul 2021	As at 30 Apr 2021
Total NAV (RM'million)	28.338	24.323
NAV per Unit (RM)	0.5342	0.5821
Unit in Circulation (million)	53.049	41.785

MYR Hedged-class

Category	As at 31 Jul 2021	As at 30 Apr 2021
Total NAV (RM'million)	164.200	176.257
NAV per Unit (RM)	0.5019	0.5635
Unit in Circulation (million)	327.179	312.809

SGD Hedged-class

Category	As at 31 Jul 2021	As at 30 Apr 2021
Total NAV (RM'million)	6.466	6.961
NAV per Unit (RM)	0.5077	0.5712
Unit in Circulation (million)	12.736	12.188

AUD Hedged-class

Category	As at 31 Jul 2021	As at 30 Apr 2021
Total NAV (RM'million)	14.692	16.006
NAV per Unit (RM)	0.5187	0.5848
Unit in Circulation (million)	28.325	27.372

Table 1: Performance as at 31 July 2021

Class	3 Months (1/5/21 - 31/7/21)	6 Months (1/2/21 - 31/7/21)	1 Year (1/8/20 - 31/7/21)	Since Commencement (4/3/19 - 31/7/21)
USD	(9.94%)	(13.90%)	(4.84%)	15.84%
MYR	(7.02%)	(10.08%)	(5.27%)	15.32%
AUD Hedged	(10.12%)	(14.28%)	(6.06%)	10.61%
MYR Hedged	(9.70%)	(13.57%)	(4.27%)	7.27%
SGD Hedged	(9.97%)	(14.06%)	(5.26%)	9.38%

Figure 1: Movement of the Fund since commencement.



"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."

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 2021
	(%)
Unit Trust	97.40
Derivative	-1.82
Cash & money market	4.42
Total	100.00

Strategies Employed

We have taken recent selloff as an opportunity to add more risk to the portfolio and increase our catch-up potential given how much the market has been corrected since its peak in Feb. We have preference towards onshore equity market given market nervousness towards headlines and regulatory discussion. Among the offshore equities, we have a preference towards Hang Seng China Enterprise Index given its higher exposure in Financials that are poised to benefit in pro-cyclical environment aligned with our reflationary view. Within Fixed Income, we had an overweight to credit and an underweight to onshore rates. Among the credit bonds, we favor high yield over investment grade given its attractive carry and higher than expected implied default risk priced in the market. We hedged slightly less than half of our RMB position gained from the onshore assets to balance overall portfolio risk given its relative attractiveness in portfolio construction context.

Market Review

Throughout the month of May, various headline news ranging from regulator's comments on the spiking of commodity prices to crackdown of cryptocurrencies drove market volatility. Risk assets returned positively with onshore equities fared better than offshore equities while USD corporate bonds also added slightly. MSCI China rose 0.8% and MSCI China A onshore (in USD) climbed 6.3% while JACI China was up by 0.4%. China's economic rebound moderated but activity remained at relatively strong levels, based on data released in May. April retail sales slowed to 17.7% year-on-year from 34.2% in March, partly due to less favorable base effects and some payback after a swift revival in the prior month. The Chinese economy was supported by strong external demand, especially from other emerging markets. There were signs of inflationary pressure in April's data, with producer price inflation hitting a multi-year high of 6.8%. But this was mainly the result of higher commodity prices. However, consumer price inflation has remained moderate at 0.9% in April year-on-year. Lastly, RMB continued to strengthen against USD throughout the month of May. On May 31, the PBoC announced that they will increase the reserve requirement on FX deposits from 5% to 7% and re-emphasized the aim of CNY-stability.

China capital market struggled for the month of June. China markets had corrected ahead of the FOMC meeting on 16 June but recovered somewhat after the continued accommodative stance. Biden signed a new Executive Order, replacing the previous Chinese Military Company (CMC) Executive Order. The scope of the new EO has expanded from Chinese military companies to include those using Chinese surveillance technology outside China. In the offshore equity space, education stocks underperformed due to uncertainties and rumours about tighter new policies. China USD credit markets were under pressure with the JACI China High Yield Index giving negative returns for the month at -2.42%, with spreads widening by +129ps, driven by increased uncertainty in the property space. In the property space specifically, we continue to see near-term price volatility, driven by still tight onshore financing condition for developers, uncertainty on selective lower quality names and headline news flow. The JACI China Investment Grade Index was positive at 0.97% with spreads tightening -13bps.

Chinese capital market sold off in the month of July triggered by the regulatory tightening and concerns over financial health of a major property developer. The sell-off of equity market was broad based and offshore assets took a larger hit than onshore assets. The market was first shocked by regulation focusing on data security regarding a freshly listed ride hailing app in the US at the beginning of the month. Towards end of the month, another shock wave sent the market lower triggered by the regulatory measure on After-school tutoring sector with the aim of addressing social issues and reducing education cost. On the fixed income side, ripple effect of concerns over financial health of a major property developer caused credit spread to

widen dragging the overall performance of high yield bonds. The strong market reaction reflects the heightened sensitivities towards headlines and regulatory movement. On the macro front, the unexpected RRR cut as well as the policy tone adopted in the Politburo meeting signaled a more supportive policy going forward.

Investment Outlook

Our base case for China's economy in 2H21 is marginally supportive policy, stable commodity prices and moderate CPI growth. We expect commodity prices to stabilize as government take measures to calm the market. Additionally, we expect consumption to recover as household income and COVID situation improve while CPI remained muted. Given the authority's focus on growth and employment, we expect monetary and fiscal policies to stay moderately supportive with possibilities of further RRR cut while macro prudential policy remains stringent. Regulations in China have had an increased focus on anti-monopolist policy, internet financials, and network/data security, and thus impacted firms that comprise a substantial share of Chinese equity benchmarks. Previously, firms operating in these industries did not face onerous regulatory scrutiny, since growth was the key focus. But this is poised to change as authorities prioritize the development of other strategically important industries, such as semiconductors and health care, while attempting to address some of the unintended negative consequences of explosive growth in the "new economy" industries. There is a need for the market to rethink how to invest in China from the bottom up in light of the evidence that these policy priorities are being backed up with actions. Overall, we have a slight risk on tilt as the economy, although growth momentum slows, continues to recover, and expect consumption to pick up further. Nonetheless, we expect short-term market volatility given the market nervousness towards headlines and regulatory discussion as well as recent COVID outbreak in China. In our view, being selective and flexible in asset allocation remain key to navigate the market in the 2nd half of the year.

AFFIN HWANG WORLD SERIES - CHINA ALLOCATION OPPORTUNITY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JULY 2021

	Financial period ended <u>31.7.2021</u> USD	Financial period ended <u>31.7.2020</u> USD
INVESTMENT (LOSS)/INCOME		
Dividend income	1,111,465	84,584
Interest income from financial assets at amortised cost	223	43
Net (loss)/gain on foreign currency exchange	(14,359)	7,635
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss	(1,991,463)	143,737
Net (loss)/gain on financial assets at fair value through profit or loss	(8,351,712)	594,819
	<u>(9,245,846)</u>	<u>830,818</u>
EXPENSES		
Management fee	(338,858)	(29,065)
Trustee fee	(11,301)	(954)
Fund accounting fee	(840)	(1,089)
Auditors' remuneration	(486)	(470)
Tax agent's fee	(213)	(206)
Other expenses	(174)	(1,058)
	<u>(351,872)</u>	<u>(32,842)</u>
NET (LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION	(9,597,718)	797,976
FINANCE COST		
Distributions	(1,001,674)	(47,518)
NET (LOSS)/PROFIT BEFORE TAXATION	(10,599,392)	750,458
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER	<u>(10,599,392)</u>	<u>750,458</u>
(Decrease)/Increase in net asset attributable to unitholders is made up of the following:		
Realised amount	(711,784)	26,756
Unrealised amount	(9,887,608)	723,702
	<u>(10,599,392)</u>	<u>750,458</u>

AFFIN HWANG WORLD SERIES - CHINA ALLOCATION OPPORTUNITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2021

	<u>2021</u> USD	<u>2020</u> USD
ASSETS		
Cash and cash equivalents	3,361,199	156,966
Amount due from brokers	-	5,758
Amount due from Manager		
- creation of units	347,815	155,137
- management fee rebate receivable	87,631	8,659
Financial assets at fair value through profit or loss	66,889,478	7,936,825
Forward foreign currency contracts at fair value through profit or loss	1,450	67,388
TOTAL ASSETS	<u>70,687,573</u>	<u>8,330,733</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	1,252,530	26,689
Amount due to brokers	521,628	-
Amount due to Manager		
- management fee	111,681	11,720
- cancellation of units	120,262	74,498
Amount due to Trustee	3,723	380
Auditors' remuneration	343	2,220
Tax agent's fee	1,015	1,022
Other payable and accruals	95	(29)
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>2,011,277</u>	<u>116,500</u>
NET ASSET VALUE OF THE FUND	<u>68,676,296</u>	<u>8,214,233</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>68,676,296</u>	<u>8,214,233</u>

AFFIN HWANG WORLD SERIES - CHINA ALLOCATION OPPORTUNITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2021 (CONTINUED)

	<u>2021</u> USD	<u>2020</u> USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Hedged-class	10,874,528	859,035
- MYR class	6,716,876	423,119
- MYR Hedged-class	38,919,203	5,798,947
- SGD Hedged-class	4,784,491	92,300
- USD class	7,381,198	1,040,832
	<u>68,676,296</u>	<u>8,214,233</u>
NUMBER OF UNITS IN CIRCULATION		
- AUD Hedged-class	28,325,000	2,088,000
- MYR class	53,049,000	3,053,000
- MYR Hedged-class	327,179,000	44,798,000
- SGD Hedged-class	12,736,000	228,000
- USD class	13,999,000	1,799,000
	<u>435,288,000</u>	<u>51,966,000</u>
NET ASSET VALUE PER UNIT (USD)		
- AUD Hedged-class	0.3839	0.4114
- MYR class	0.1266	0.1386
- MYR Hedged-class	0.1190	0.1294
- SGD Hedged-class	0.3757	0.4048
- USD class	0.5273	0.5786
	<u>0.5273</u>	<u>0.5786</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Hedged-class	AUD0.5187	AUD0.5760
- MYR class	RM0.5342	RM0.5873
- MYR Hedged-class	RM0.5019	RM0.5485
- SGD Hedged-class	SGD0.5077	SGD0.5565
- USD class	USD0.5273	USD0.5786
	<u>USD0.5273</u>	<u>USD0.5786</u>

AFFIN HWANG WORLD SERIES - CHINA ALLOCATION OPPORTUNITY FUND

STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2021

	Financial period ended <u>31.7.2021</u> USD	Financial period ended <u>31.7.2020</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	74,773,782	5,163,799
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	7,247,875	2,454,142
- AUD Hedged-class	860,166	243,628
- MYR class	1,594,547	179,111
- MYR Hedged-class	3,704,806	1,535,307
- SGD Hedged-class	457,680	60,791
- USD class	630,676	435,305
Creation of units arising from distributions	973,326	47,518
- AUD Hedged-class	157,537	4,831
- MYR class	72,403	2,709
- MYR Hedged-class	577,497	34,682
- SGD Hedged-class	65,155	310
- USD class	100,734	4,986
Cancellation of units	(3,719,295)	(201,684)
- AUD Hedged-class	(603,061)	(7,037)
- MYR class	(103,183)	(75,897)
- MYR Hedged-class	(2,338,553)	(118,589)
- SGD Hedged-class	(286,518)	-
- USD class	(387,980)	(161)
(Decrease)/Increase in net assets attributable to unitholders during the financial period	(10,599,392)	750,458
- AUD Hedged-class	(2,001,892)	119,124
- MYR class	(799,308)	30,010
- MYR Hedged-class	(6,161,324)	537,869
- SGD Hedged-class	(706,513)	4,782
- USD class	(930,355)	58,673
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>68,676,296</u>	<u>8,214,233</u>

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