Affin Hwang World Series - Global Sustainability Fund

Quarterly Report
30 September 2021

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

AFFIN HWANG
CAPITAL

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

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG WORLD SERIES – GLOBAL SUSTAINABILITY FUND

Quarterly Report and Financial Statements
As at 30 September 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Sustainability Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period.
Benchmark	Dow Jones Sustainability World Index
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

MYR Hedged-Class

Category	**As at 30 Sep 2021**	**As at 30 Jun 2021**
Total NAV (million)	241.533	197.416
NAV per Unit (RM)	0.6093	0.5975
Unit in Circulation (million)	396.436	33.429

SGD Hedged-Class

Category	**As at 30 Sep 2021**	**As at 30 Jun 2021**
Total NAV (million)	9.465	5.972
NAV per Unit (SGD)	0.5931	0.5836
Unit in Circulation (million)	15.958	10.232

AUD Hedged-Class

Category	**As at 30 Sep 2021**	**As at 30 Jun 2021**
Total NAV (million)	13.567	9.431
NAV per Unit (AUD)	0.5863	0.5794
Unit in Circulation (million)	23.141	16.276

USD Class

Category	**As at 30 Sep 2021**	**As at 30 Jun 2021**
Total NAV (million)	11.583	7.642
NAV per Unit (USD)	0.6034	0.5932
Unit in Circulation (million)	19.198	12.883

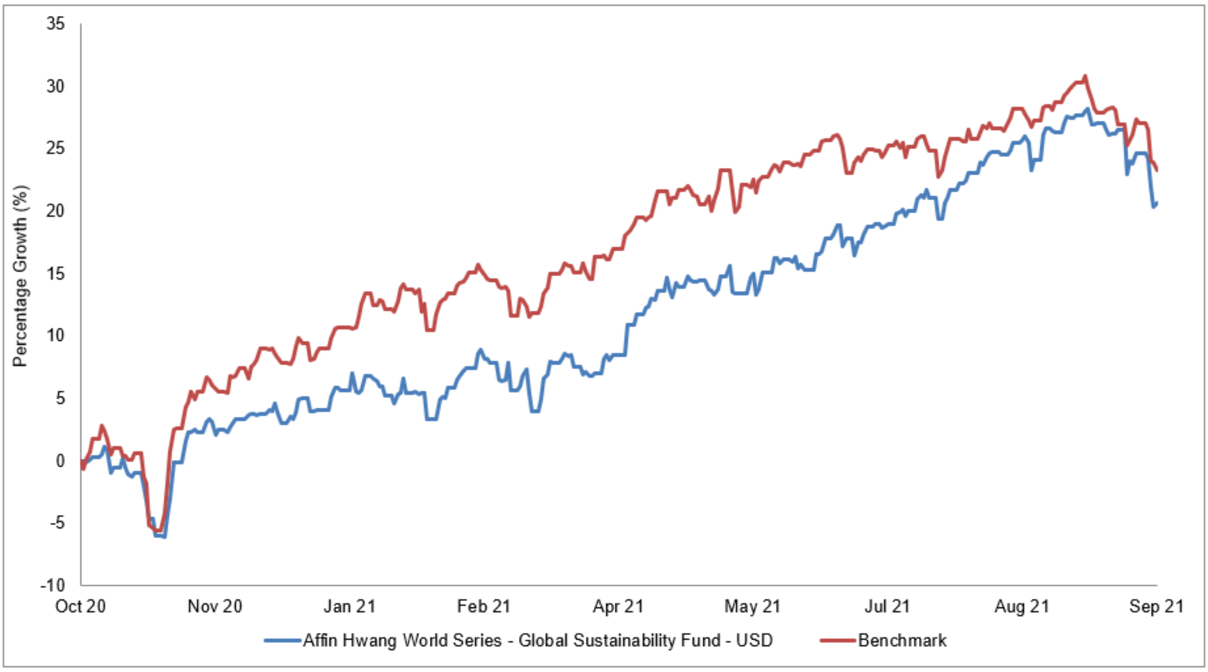
<u>USD Class</u>

Performance as at 30 September 2021

	3 Months (1/7/21 - 30/9/21)	6 Months (1/4/21 - 30/9/21)	Since Commencement (6/10/20 - 30/9/21)
Fund	**1.72%**	**11.62%**	**20.68%**
Benchmark	**(0.85%)**	**6.12%**	**23.25%**
Outperformance	**2.57%**	**5.50%**	**(2.57%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



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Benchmark: Dow Jones Sustainability World Index

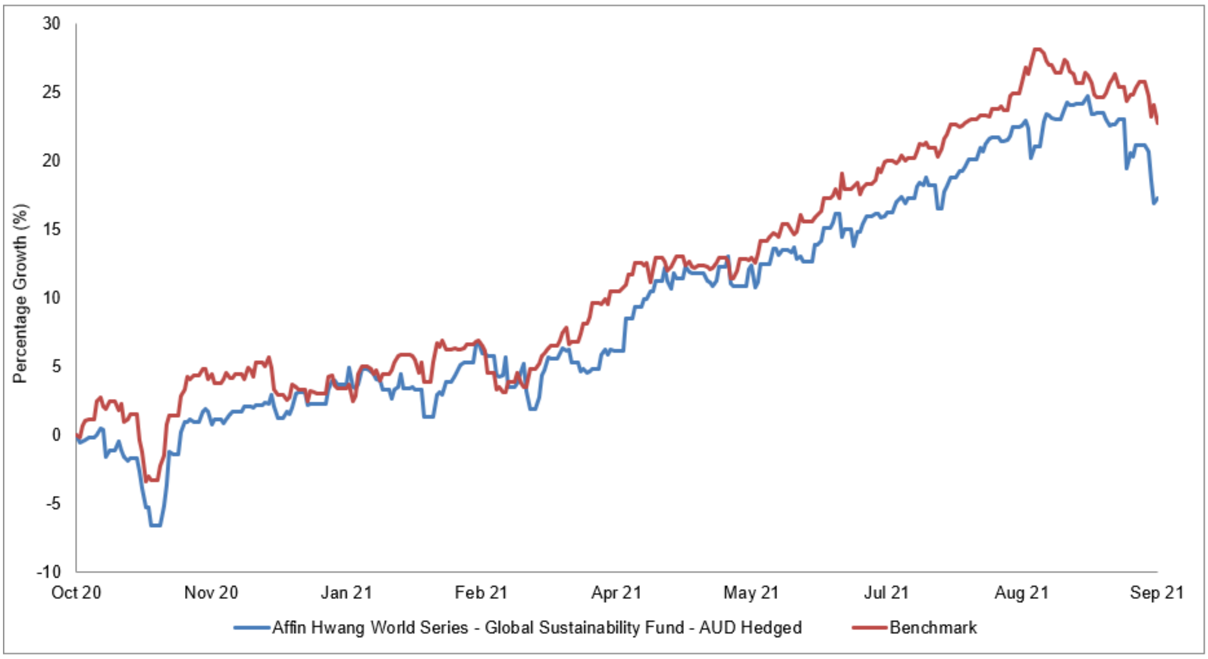
<u>AUD Hedged-Class</u>

Performance as at 30 September 2021

	3 Months (1/7/21 - 30/9/21)	6 Months (1/4/21 - 30/9/21)	Since Commencement (6/10/20 - 30/9/21)
Fund	**1.19%**	**10.81%**	**17.26%**
Benchmark	**3.06%**	**12.06%**	**22.79%**
Outperformance	**(1.87%)**	**(1.25%)**	**(5.53%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



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Benchmark: Dow Jones Sustainability World Index

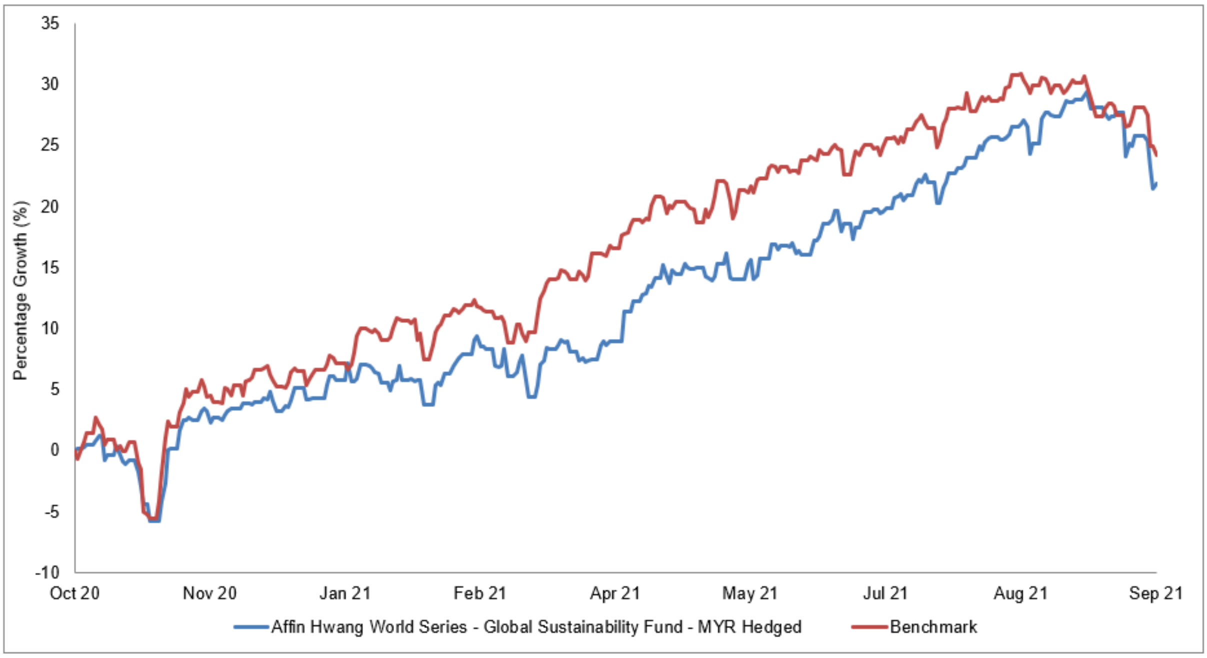
MYR Hedged-Class

Performance as at 30 September 2021

	3 Months (1/7/21 - 30/9/21)	6 Months (1/4/21 - 30/9/21)	Since Commencement (6/10/20 - 30/9/21)
Fund	**1.97%**	**12.19%**	**21.86%**
Benchmark	**0.04%**	**7.15%**	**24.26%**
Outperformance	**1.93%**	**5.04%**	**(2.40%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



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Benchmark: Dow Jones Sustainability World Index

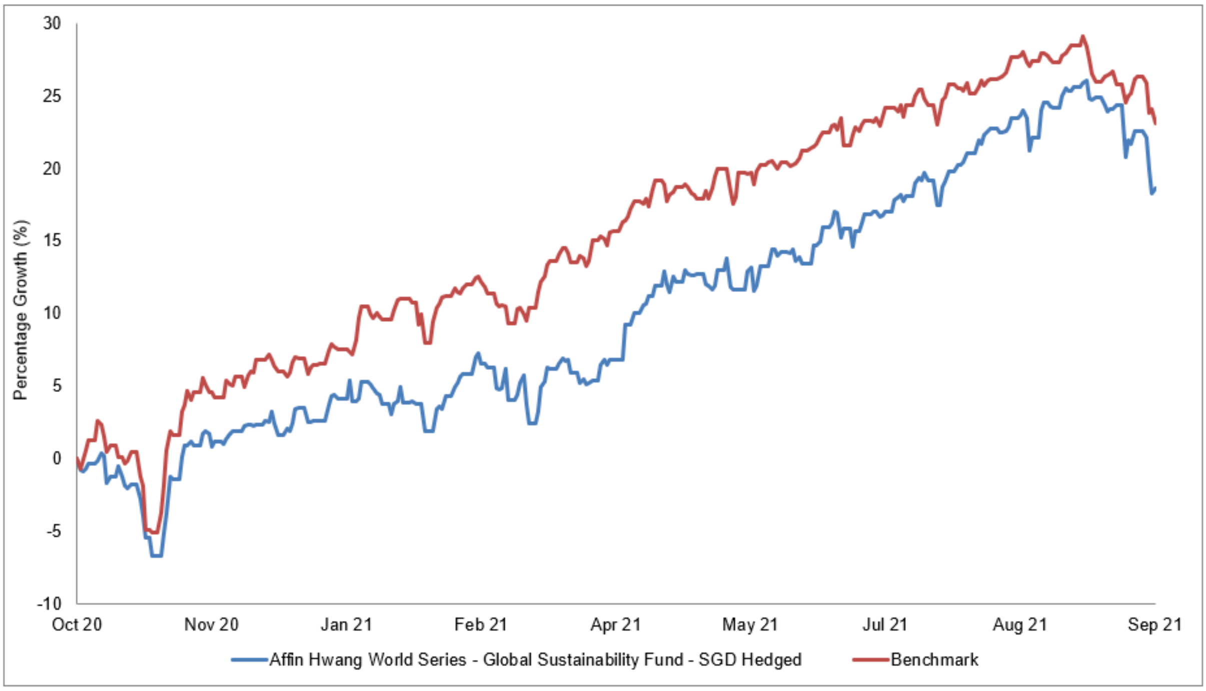
SGD Hedged-Class

Performance as at 30 September 2021

	3 Months (1/7/21 - 30/9/21)	6 Months (1/4/21 - 30/9/21)	Since Commencement (6/10/20 - 30/9/21)
Fund	**1.63%**	**11.42%**	**18.62%**
Benchmark	**0.15%**	**7.31%**	**23.14%**
Outperformance	**1.48%**	**4.11%**	**(4.52%)**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



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Benchmark: Dow Jones Sustainability World Index

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:

	30 September 2021 (%)
Unit Trust	97.07
Derivative	-0.69
Cash & money market	3.62
Total	**100.00**

Strategies Employed

The Fund aims at long-term capital growth by investing in global equity markets of developed countries in accordance with the Sustainable and Responsible Investment Strategy (SRI Strategy). The Investment Manager may engage in foreign currency overlay and thus assume separate foreign currency risks with regard to currencies of OECD member states, even if the Sub-Fund does not include any assets denominated in these respective currencies.

Market Review

Global equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. However, a black swan event at the end of the month saw retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and “stay at home” trades, which were facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the period.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets. Banks are enjoying higher trading fees and lower provision costs as the economy gradually regains its footing.

Global markets shrugged off inflation fears to climb higher in June as investors start to buy-in to the Fed’s dovish testimony. The S&P 500 and Nasdaq index rose, buoyed by stimulus optimism after early indication of bipartisan support of the proposed US$1.2 trillion infrastructure bill in the US Congress. US Fed Chair, Jerome Powell testified in the House of Representatives to reiterate the central bank’s view that inflation is transitory and that the FOMC will not rush to hike rates. The yield on the 10-year Treasury note tumbled as the Fed affirmed that it would not pre-emptively hike rates before signs of a recovery.

In Asia, the MSCI Asia ex-Japan index was marginally weaker in June as sentiment was dampened on geopolitical tensions and consolidation seen in China’s economy. The Group of Seven (“G7”) nations and North Atlantic Treaty Organisation (“NATO”) held its annual summit with political leaders from US and Europe vowing to toughen its stance on China.

China had also reported weaker than expected retail sales and industrial production data. Industrial production grew 8.8% y-o-y in May, which came below consensus expectations of 9.2%. Weaker upstream production as well as a power shortage in the Yunan province which is an aluminium production hub led to lower factory output. May retail sales which rose 12.4% y-o-y also fell market expectations of 14.0%. However, weaker economic data could push back any chance of further tightening in China as policymakers look to sustain growth.

Asia was dragged by the weakness in the Chinese market in July. Once again, China saw regulators cracking down on businesses, this time targeting the education sector. Authorities had banned the provision of holiday and weekend tutoring, and further said that they will no longer approve the establishment of new tuition centres. Instead, tutoring companies are being asked to register as non-profit institutions.

In Asia, the MSCI Asia ex-Japan index reversed course by climbing slightly higher. Regulatory noise still dominated headlines in China amidst calls for more oversight in the electric vehicle (EV) industry. The Fed is currently adopting a wait-and-see approach to the Delta variants impact and its implication on job data, highlighting that inflation is transitory and it was more harmful to react amidst the temporary surge in inflation.

The local equity market’s performance was muted relative to regional peers. In the February result season, the tech sector was largely reporting earnings that beat expectations on the back of robust demand. Meanwhile, Finance Minister clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government was mulling new taxes to widen its revenue base once the economy is on a more stable footing.

The Malaysian bond market saw an unwinding of "rate cut" bets at the end of January following BNM's announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rose whilst longer-tenured papers remained resilient that month.

Yields trended higher in tandem with US treasury movement in the quarter. Undoubtedly, the performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-Lestari programme. However, demand was seen returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

Fiscal deficit is expected to breach above the government's target of 6.0%. With the unveiled PEMULIH stimulus package, we could see the debt ceiling be raised to 65.0% from 60.0%. This could translate to more government bond supplies, which may put further pressure on Malaysia's sovereign rating.

On the monetary policy side, Bank Negara Malaysia ("BNM") kept Overnight Policy Rates ("OPR") at 1.75% in its monetary policy meeting in July. The central bank remained slightly optimistic on Malaysia's growth outlook on the back of various support measures in place, vaccine rollouts, as well as stronger export numbers.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs.The next Parliament sitting is slated in September which Datuk Seri Ismail Sabri will face a test of majority support through a vote of confidence. With political stability expected until the next General Election (GE) due by 2023, the local market could see further support on the back of continued vaccination roll-outs. The gradual reopening of more economic sectors also point to economic growth improving in the coming quarters.

During its quarterly GDP briefing, BNM said that Malaysia's GDP grew 16.1% y-o-y in the 2Q'21, although it contracted 2% on a q-o-q basis. The central bank also revised its full-year GDP growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5% for 2021.

Prime Minister Datuk Seri Ismail Sabri Yaakob unveiled his cabinet line-up with familiar faces at the helm. Foreigners turned net buyers in the last week of August with net inflows rising to the tune of RM960 million which is the strongest weekly inflow since 2019.

On a separate note, Bank Negara Malaysia is slated to hold its next Monetary Policy Committee meeting on 9 September 2021. Despite recently revising its 2021 GDP forecast to a lowered range of 3.0-4.0%, we expect the central bank to keep rates unchanged at 1.75% amid several supportive drivers including: (i) healthy vaccination rollouts, (ii) robust external demand, and (iii) gradual reopening of sectors and economies.

Investment outlook

The sharp "growth"-"value" rotation which began at the end of 2020 was characterised by share price rallies in stocks whose earnings had been decimated by the pandemic, such as Aerospace, Travel and Leisure. By June, the Delta variant and earnings consistency of pandemic winners had largely reversed this. The present rotation is driven less by expectations of recovery and growth, but a combination of constricted energy supply, inflation fears and rising bond yields.

Central bankers continue to reassure investors that the current bout of inflationary pressures is transitory. There are some good reasons to agree with this view. The pandemic has created huge disruption across global supply chains, the effects of which are being felt now as economies around the world reopen. With the passage of time, these bottlenecks and supply constraints should eventually work themselves out, reducing the current inflationary pressures.

However, the pandemic has exposed certain vulnerabilities in global supply chains. Rising energy costs also reflect in part, an historic underinvestment into new sources of supply. Resolving these – by reshoring labour, building out domestic manufacturing or increasing renewable capacity – will increase the likelihood of some higher costs and therefore prices in longer term.

In China, the situation is complex. Valuations have de-rated, but risks related to financial stability and regulation have also risen. As stock pickers, we don't make allocations on a sector or country basis, opting instead to examine every investment opportunity case by case. Some companies with exposure to China have been able to harness superior growth thanks to – among other things – its rapidly growing middle class, digital infrastructure and ecommerce. Our task is to assess these growth prospects, the risk profiles, and the extent to which this is reflected in share prices.

The coming months are likely to see elevated levels of volatility as investors seek to price in a shifting and uncertain global economic outlook. Over the long term, we believe holding a balanced portfolio of companies with diversified revenue sources, on reasonable valuations and strong recurring cash flows is the best means of delivering outperformance. Above all, pricing power, rather than exposure to certain sectors, is the best means of offsetting inflationary pricing pressures. While challenging, it is important to remember that periods of turbulence can create opportunities for bottom-up active managers as valuations and fundamentals diverge.

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	Financial period ended 30.9.2021 USD
INVESTMENT INCOME	
Interest income from financial assets at amortised cost	558
Net gain on foreign currency exchange	21,439
Net loss on forward foreign currency contracts at fair value through profit or loss	(657,183)
Net gain on financial assets at fair value through profit or loss	932,455
	297,269
EXPENSES	
Management fee	(345,385)
Trustee fee	(11,527)
Fund accounting fee	(831)
Auditors' remuneration	(421)
Tax agent's fee	(210)
Other expenses	(3,522)
	(361,896)
NET LOSS BEFORE TAXATION	(64,627)
Taxation	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(64,627)
Decrease in net asset attributable to unitholders is made up of the following:	
Realised amount	(670,809)
Unrealised amount	606,182
	(64,627)

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	2021
	USD
ASSETS	
Cash and cash equivalents	2,828,472
Amount due from Manager	
- creation of units	2,331,016
- management fee rebate receivable	97,454
Financial assets at fair value through profit or loss	83,494,970
Forward foreign currency contracts at fair value through profit or loss	157,721
TOTAL ASSETS	88,909,633
LIABILITIES	
Forward foreign currency contracts at fair value through profit or loss	749,660
Amount due to broker	2,002,335
Amount due to Manager	
- management fee	124,725
- cancellation of units	10,598
Amount due to Trustee	4,157
Auditors' remuneration	658
Tax agent's fee	1,055
Other payables and accruals	180
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	2,893,368
NET ASSET VALUE OF THE FUND	86,016,265
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	86,016,265

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 (CONTINUED)

	2021
	USD
REPRESENTED BY:	
FAIR VALUE OF OUTSTANDING UNITS	
- AUD Hedged-class	9,769,689
- MYR Hedged-class	57,707,042
- SGD Hedged-class	6,956,068
- USD Class	11,583,466
	86,016,265
NUMBER OF UNITS IN CIRCULATION	
- AUD Hedged-class	23,141,000
- MYR Hedged-class	396,436,000
- SGD Hedged-class	15,958,000
- USD Class	19,198,000
	454,733,000
NET ASSET VALUE PER UNIT (USD)	
- AUD Hedged-class	0.4222
- MYR Hedged-class	0.1456
- SGD Hedged-class	0.4359
- USD Class	0.6034
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES	
- AUD Hedged-class	AUD0.5863
- MYR Hedged-class	RM0.6093
- SGD Hedged-class	SGD0.5931
- USD Class	USD0.6034

AFFIN HWANG WORLD SERIES - GLOBAL SUSTAINABILITY FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	Financial period ended 30.9.2021 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	66,757,242
Movement due to units created and cancelled during the financial period	
Creation of units arising from applications	27,665,357
- AUD Hedged-class	5,008,408
- MYR Hedged-class	13,504,275
- SGD Hedged-class	3,994,334
- USD Class	5,158,340
Cancellation of units	(8,341,707)
- AUD Hedged-class	(1,981,995)
- MYR Hedged-class	(3,707,334)
- SGD Hedged-class	(1,448,176)
- USD Class	(1,204,202)
Net decrease in net asset attributable to unitholders during the financial period	(64,627)
- AUD Hedged-class	(334,620)
- MYR Hedged-class	317,092
- SGD Hedged-class	(34,138)
- USD Class	(12,961)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	86,016,265

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