

Affin Hwang World Series - China A Opportunity Fund

Quarterly Report
30 November 2021

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



AFFIN HWANG
CAPITAL

MANAGER
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AFFIN HWANG WORLD SERIES – CHINA A OPPORTUNITY FUND

Quarterly Report and Financial Statements As at 30 November 2021

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QUARTERLY REPORT

FUND INFORMATION

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

FUND PERFORMANCE DATA

USD Class

Category	As at 30 Nov 2021	As at 31 Aug 2021
Total NAV (million)	44.737	40.769
NAV per Unit (USD)	0.7139	0.6807
Unit in Circulation (million)	62.667	59.892

AUD-Hedged Class

Category	As at 30 Nov 2021	As at 31 Aug 2021
Total NAV (million)	40.561	37.557
NAV per Unit (AUD)	0.6845	0.6533
Unit in Circulation (million)	59.260	57.486

MYR-Hedged Class

Category	As at 30 Nov 2021	As at 31 Aug 2021
Total NAV (million)	922.833	838.148
NAV per Unit (RM)	0.7235	0.6873
Unit in Circulation (million)	1,275.521	1,219.455

MYR Class

Category	As at 30 Nov 2021	As at 31 Aug 2021
Total NAV (million)	211.126	187.746
NAV per Unit (RM)	0.7302	0.6881
Unit in Circulation (million)	289.138	272.865

SGD-Hedged Class

Category	As at 30 Nov 2021	As at 31 Aug 2021
Total NAV (million)	29.801	26.396
NAV per Unit (SGD)	0.6902	0.6582
Unit in Circulation (million)	43.176	40.103

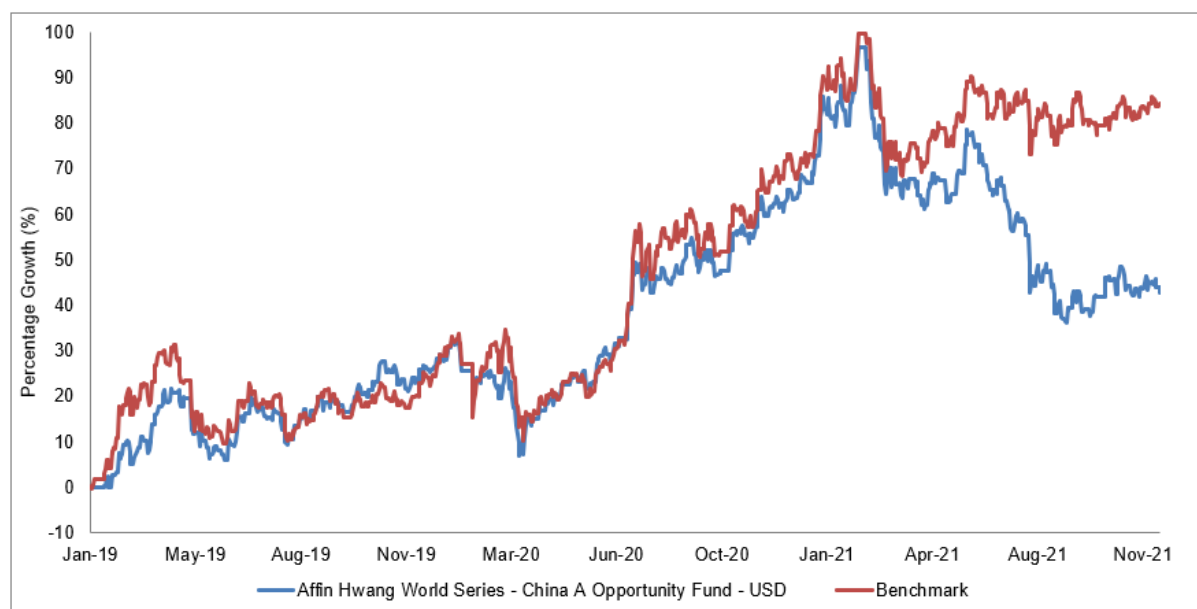
USD Class

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	6 Months (1/6/21 - 30/11/21)	1 Year (1/12/20 - 30/11/21)	Since Commencement (29/1/19 - 30/11/21)
Fund	4.88%	(19.51%)	(11.16%)	42.78%
Benchmark	2.70%	(3.24%)	9.73%	84.24%
Outperformance	2.18%	(16.27%)	(20.89%)	(41.46%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



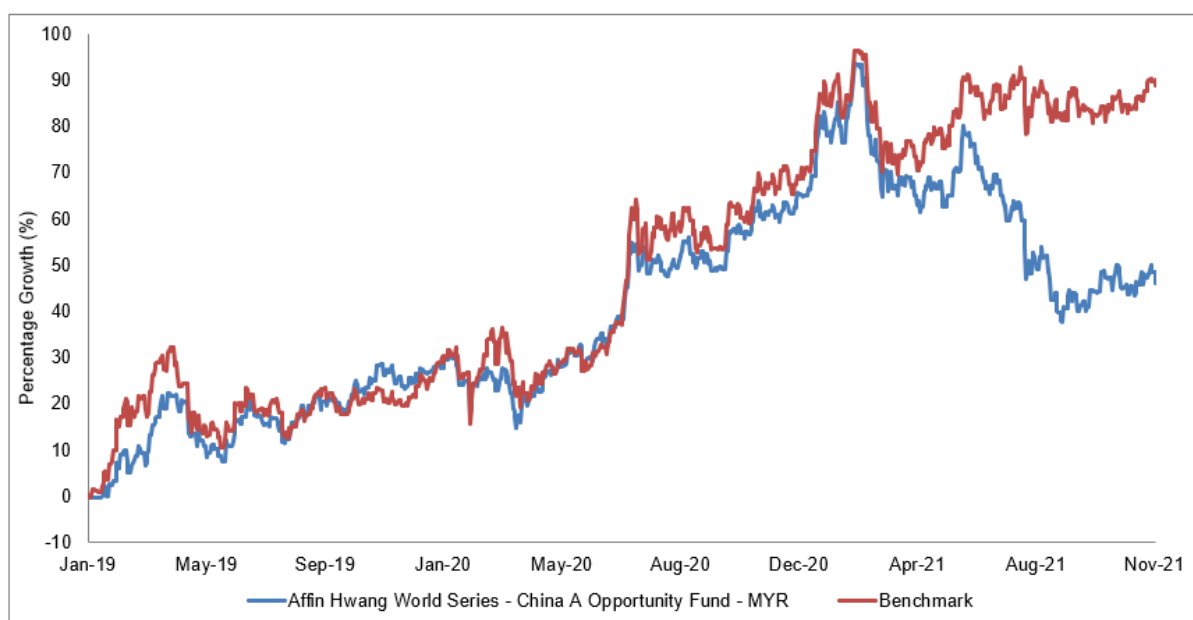
MYR Class

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	6 Months (1/6/21 - 30/11/21)	1 Year (1/12/20 - 30/11/21)	Since Commencement (29/1/19 - 30/11/21)
Fund	6.12%	(17.96%)	(8.32%)	46.04%
Benchmark	4.11%	(1.18%)	13.44%	88.95%
Outperformance	2.01%	(16.78%)	(21.76%)	(42.91%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



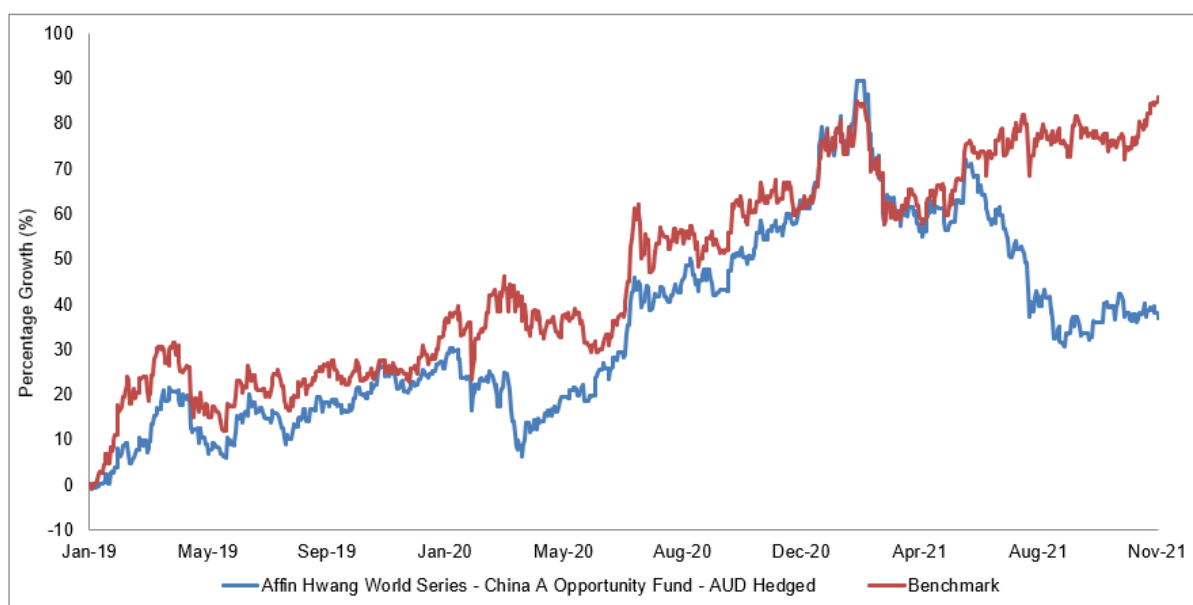
AUD Hedged-Class

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	6 Months (1/6/21 - 30/11/21)	1 Year (1/12/20 - 30/11/21)	Since Commencement (29/1/19 - 30/11/21)
Fund	4.78%	(19.77%)	(11.88%)	36.90%
Benchmark	5.72%	5.42%	13.67%	85.90%
Outperformance	(0.94%)	(25.19%)	(25.55%)	(49.00%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



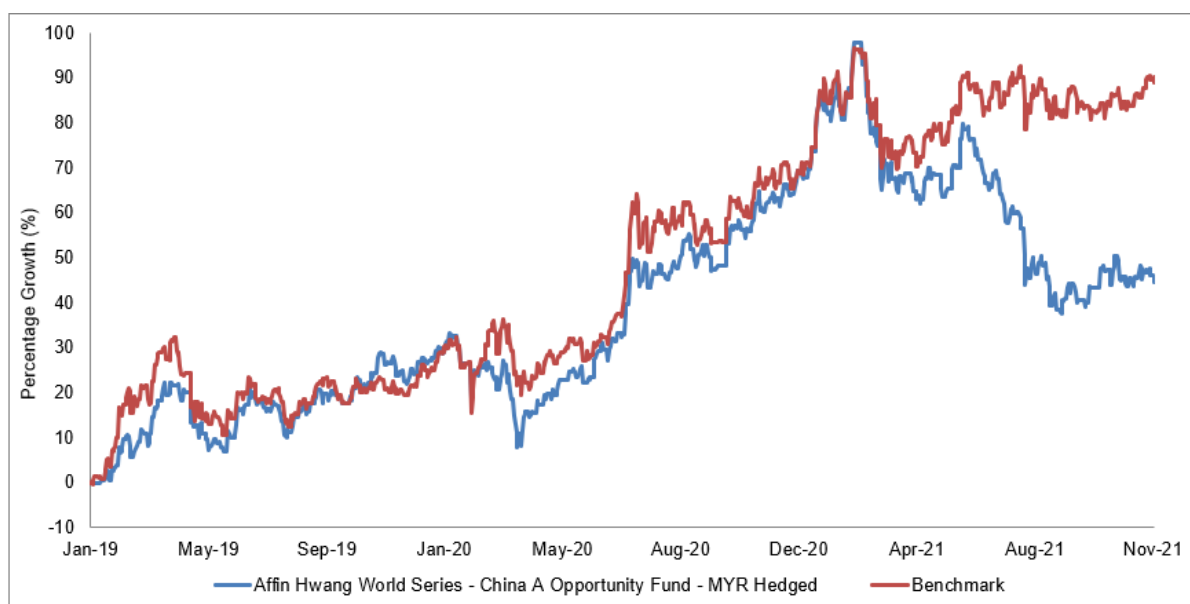
MYR Hedged-Class

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	6 Months (1/6/21 - 30/11/21)	1 Year (1/12/20 - 30/11/21)	Since Commencement (29/1/19 - 30/11/21)
Fund	5.27%	(18.97%)	(10.36%)	44.70%
Benchmark	4.11%	(1.18%)	13.44%	88.95%
Outperformance	1.16%	(17.79%)	(23.80%)	(44.25%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



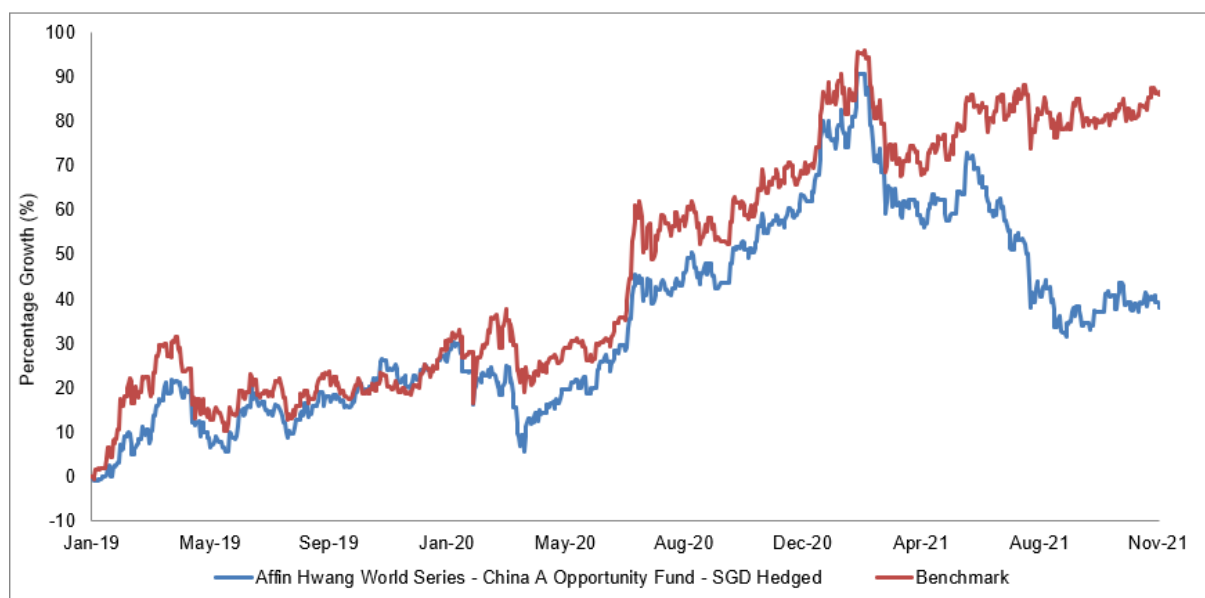
SGD Hedged-Class

Performance as at 30 November 2021

	3 Months (1/9/21 - 30/11/21)	6 Months (1/6/21 - 30/11/21)	1 Year (1/12/20 - 30/11/21)	Since Commencement (29/1/19 - 30/11/21)
Fund	4.86%	(19.58%)	(11.52%)	38.04%
Benchmark	4.43%	0.12%	12.02%	86.19%
Outperformance	0.43%	(19.70%)	(23.54%)	(48.15%)

Source of Benchmark: Bloomberg

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: MSCI China A Onshore 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 November 2021
	(%)
Unit Trust	98.26
Derivative	-0.84
Cash & money market	2.58
Total	100.00

Strategies Employed

The Manager tend not to overly focus on short-term periods of pullbacks in the market – the objective remains to deliver strong long-term returns and to take advantage of such volatility, and the Manager demonstrated this ability over the history of managing the funds.

Market Review

Global equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitional and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

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 appointment provided some clarity by resolving the political impasse following the resignation of Tan Sri Muhyiddin Yassin who faced a turbulent tenure due to the mishandling of the pandemic as well as a rare royal rebuke.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market could now see support on the back of easing policy headwinds as investors also price-in better growth prospects.

Looking ahead, we are maintaining a cautious stance on the back of headwinds arising from persistent inflation and higher interest rates which could pressure risk assets. Potential inflection points for the market to turnaround include declining inflation that could herald a shift in the US Federal Reserve's tightening bias. Any additional stimulus measures from China would also be supportive of risk-assets.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

While we don't expect a rout for markets like during early-2020 at the height of the pandemic or 2008-GFC, some form of correction is anticipated. In fact, Asian stock markets have already started to consolidate.

Our base-case is that inflationary pressures should recede on the back of easing supply bottlenecks and lower commodity prices. Port congestions are starting to ease and commodity prices have rolled over. Input prices will come down if this trend continues, though there will be some lag effect.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and a less hawkish Fed policy as potential turnarounds for the market to improve. Asian markets could also see stronger support on the back of policy easing by China.

AFFIN HWANG WORLD SERIES – CHINA A OPPORTUNITY FUND

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

	Financial period ended 30.11.2021 USD	Financial period ended 30.11.2020 USD
INVESTMENT (LOSS)/INCOME		
Interest income from financial assets at amortised cost	4,548	1,784
Net (loss)/gain on foreign currency exchange	(146,161)	75,914
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss	(6,283,392)	6,385,451
Net (loss)/gain on financial assets at fair value through profit or loss	(73,302,782)	31,400,424
	<u>(79,727,787)</u>	<u>37,863,573</u>
EXPENSES		
Management fee	(3,331,539)	(1,192,087)
Trustee fee	(108,111)	(38,890)
Fund accounting fee	(1,673)	(1,677)
Auditors' remuneration	(961)	5,097
Tax agent's fee	(420)	2,230
Other expenses	(5,760)	(3,363)
	<u>(3,448,464)</u>	<u>(1,228,690)</u>
NET (LOSS)/PROFIT BEFORE TAXATION	(83,176,251)	36,634,883
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>(83,176,251)</u>	<u>36,634,883</u>
(Decrease)/increase in asset attributable to unitholders is comprise of the following:		
Realised amount	(2,946,405)	7,486,286
Unrealised amount	(80,229,846)	29,148,597
	<u>(83,176,251)</u>	<u>36,634,883</u>

AFFIN HWANG WORLD SERIES – CHINA A OPPORTUNITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2021

	<u>2021</u> USD	<u>2020</u> USD
ASSETS		
Cash and cash equivalents	9,431,259	11,577,732
Amount due from broker	-	153,724
Amount due from Manager		
- creation of units	575,429	11,713,750
- management fee rebate receivable	474,520	230,256
Financial assets at fair value through profit or loss	358,922,463	202,859,686
Forward foreign currency contracts at fair value through profit or loss	449,734	3,447,944
TOTAL ASSETS	<u>369,853,405</u>	<u>229,983,092</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	3,523,577	13,226
Amount due to broker	-	13,055,000
Amount due to Manager		
- management fee	559,863	283,868
- cancellation of units	463,759	132,802
Amount due to Trustee	18,158	9,206
Auditors' remuneration	955	1,042
Tax agent's fee	1,250	1,282
Other payable and accruals	84	318
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>4,567,646</u>	<u>13,496,744</u>
NET ASSET VALUE OF THE FUND	<u>365,285,759</u>	<u>216,486,348</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>365,285,759</u>	<u>216,486,348</u>

AFFIN HWANG WORLD SERIES – CHINA A OPPORTUNITY FUND

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

	<u>2021</u> USD	<u>2020</u> USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Hedged-class	28,898,688	23,737,945
- MYR Class	50,238,082	28,939,985
- MYR Hedged-class	219,591,517	126,572,619
- SGD Hedged-class	21,820,677	8,718,744
- USD Class	44,736,795	28,517,055
	<u>365,285,759</u>	<u>216,486,348</u>
NUMBER OF UNITS IN CIRCULATION		
- AUD Hedged-class	59,260,000	41,437,000
- MYR Class	289,138,000	147,965,000
- MYR Hedged-class	1,275,521,000	638,653,000
- SGD Hedged-class	43,176,000	14,945,000
- USD Class	62,667,000	35,486,000
	<u>1,729,762,000</u>	<u>878,486,000</u>
NET ASSET VALUE PER UNIT (USD)		
- AUD Hedged-class	0.4877	0.5729
- MYR Class	0.1738	0.1956
- MYR Hedged-class	0.1722	0.1982
- SGD Hedged-class	0.5054	0.5834
- USD Class	0.7139	0.8036
	<u>0.4877</u>	<u>0.5729</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Hedged-class	AUD0.6845	AUD0.7768
- MYR Class	RM0.7302	RM0.7965
- MYR Hedged-class	RM0.7235	RM0.8071
- SGD Hedged-class	SGD0.6902	SGD0.7801
- USD Class	USD0.7139	USD0.8036
	<u>AUD0.6845</u>	<u>AUD0.7768</u>

AFFIN HWANG WORLD SERIES – CHINA A OPPORTUNITY FUND

STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2021

	Financial period ended <u>30.11.2021</u> USD	Financial period ended <u>30.11.2020</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE PERIOD	388,598,956	82,020,100
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	91,497,759	127,445,818
- AUD Hedged-class	4,126,813	16,287,364
- MYR Class	22,135,385	18,929,011
- MYR Hedged-class	54,150,536	71,763,686
- SGD Hedged-class	4,439,233	7,068,868
- USD Class	6,645,792	13,396,889
Cancellation of units	(31,634,705)	(29,614,453)
- AUD Hedged-class	(2,133,623)	(11,847,651)
- MYR Class	(10,423,812)	(4,404,731)
- MYR Hedged-class	(14,091,496)	(9,349,399)
- SGD Hedged-class	(2,389,090)	(1,482,563)
- USD Class	(2,596,684)	(2,530,109)
(Decrease)/increase in net assets attributable to unitholders during the financial period	(83,176,251)	36,634,883
- AUD Hedged-class	(9,509,836)	5,466,487
- MYR Class	(10,518,426)	4,043,684
- MYR Hedged-class	(47,612,336)	21,626,165
- SGD Hedged-class	(5,520,194)	1,168,587
- USD Class	(10,015,459)	4,329,960
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>365,285,759</u></u>	<u><u>216,486,348</u></u>

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