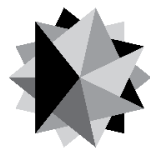


Affin Hwang World Series - Dividend Value Fund

Quarterly Report
31 December 2017

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
Deutsche Trustees Malaysia Berhad (763590-H)

AFFIN HWANG WORLD SERIES - DIVIDEND VALUE FUND

Quarterly Report and Financial Statements As at 31 December 2017

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Dividend Value 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 Asia Select Dividend 30 Index
Distribution Policy	Subject to the availability of income, the Fund endeavours to distribute income on a quarterly basis, after the end of its first financial year

Performance Review

RM Class

For the period from 1 October 2017 to 31 December 2017, the Fund recorded a return of 1.90%. Compared to the Benchmark return of -2.70%, the Fund thus outperformed its Benchmark by 4.60%. The Net Asset Value (NAV) per Unit of the Fund as at 31 December 2017 was RM0.6023 while the NAV per Unit as at 30 September 2017 was RM0.5961. On total NAV basis, the Fund's NAV stood at RM101.518 million as at 31 December 2017. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

USD Class

For the period from 1 October 2017 to 31 December 2017, the Fund recorded a return of 6.28%. Compared to the Benchmark return of 1.16%, the Fund thus outperformed its Benchmark by 5.12%. The Net Asset Value (NAV) per Unit of the Fund as at 31 December 2017 was USD0.5675 while the NAV per Unit as at 30 September 2017 was USD0.5388. On total NAV basis, the Fund's NAV stood at USD13.533 million as at 31 December 2017. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

AUD Class

For the period from 1 October 2017 to 31 December 2017, the Fund recorded a return of 6.68%. Compared to the Benchmark return of 1.53%, the Fund thus outperformed its Benchmark by 5.15%. The Net Asset Value (NAV) per Unit of the Fund as at 31 December 2017 was AUD0.5503 while the NAV per Unit as at 30 September 2017 was AUD0.5205. On total NAV basis, the Fund's NAV stood at AUD18.0342million as at 31 December 2017. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

SGD Class

For the period from 1 October 2017 to 31 December 2017, the Fund recorded a return of 4.54%. Compared to the Benchmark return of -0.33%, the Fund thus outperformed its Benchmark by 4.87%. The Net Asset Value (NAV) per Unit of the Fund as at 31 December 2017 was SGD0.5534 while the NAV per Unit as at 30 September 2017 was SGD0.5342. On total NAV basis, the Fund's NAV stood at SGD14.304 million as at 31 December 2017. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Table 1: Performance of the Fund

USD Class

	3 Months (1/10/17 - 31/12/17)	6 Months (1/7/17 - 31/12/17)	1 Year (1/1/17 - 31/12/17)	Since Commencement (23/7/15 - 31/12/17)
Fund	6.28%	10.66%	29.31%	15.04%
Benchmark	1.16%	1.05%	20.33%	4.58%
Outperformance / (Underperformance)	5.12%	9.61%	8.98%	10.46%

AUD Class

	3 Months (1/10/17 - 31/12/17)	6 Months (1/7/17 - 31/12/17)	1 Year (1/1/17 - 31/12/17)	Since Commencement (23/7/15 - 31/12/17)
Fund	6.68%	8.85%	19.48%	11.56%
Benchmark	1.53%	(0.69%)	11.17%	(1.31%)
Outperformance / (Underperformance)	5.15%	9.54%	8.31%	12.87%

MYR Class

	3 Months (1/10/17 - 31/12/17)	6 Months (1/7/17 - 31/12/17)	1 Year (1/1/17 - 31/12/17)	Since Commencement (23/7/15 - 31/12/17)
Fund	1.90%	4.32%	16.59%	21.97%
Benchmark	(2.70%)	(4.53%)	8.92%	11.52%
Outperformance / (Underperformance)	4.60%	8.85%	7.67%	10.45%

SGD Class

	3 Months (1/10/17 - 31/12/17)	6 Months (1/7/17 - 31/12/17)	1 Year (1/1/17 - 31/12/17)	Since Commencement (23/7/15 - 31/12/17)
Fund	4.54%	7.39%	19.34%	12.19%
Benchmark	(0.33%)	(1.89%)	11.17%	2.31%
Outperformance / (Underperformance)	4.87%	9.28%	8.17%	9.88%

Table 2: Volatility as at 31 December 2017

	3 Year
Fund	N/A

The data for a 3-year annualized volatility as at 31 December 2017 is not available as the Fund has yet to record 3 years performance data.

(Volatility is a number calculated based on methodology endorsed and relating to the sensitivity of the portfolio return of a fund to changes in the market conditions and the general economy. It is also based on an evaluation of a specific set of quantitative factors involving the performance of the Fund.)

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."
 Benchmark: Dow Jones Asia Select Dividend

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, kindly refer to Figure 2.

Figure 2: Asset Allocation of the Fund

	31 Dec 2017	30 Sep 2017	30 Jun 2017
	(%)	(%)	(%)
Collective investment scheme	96.51	96.22	94.38
Cash & money market	3.49	3.78	5.62
Total	100.00	100.00	100.00

Strategies Employed

In Q4 2017, the Value Partners High-Dividend Stocks Fund (the "Target Fund") rose 7.0%. For the whole year, the target fund gained 32.9%.

We (the "Target Fund Manager") maintain a positive view in 2017 and remained fully invested throughout the year. Our largest geographic exposures – China and Korea – led the region with sustained earnings growth. Our bottom-up stock picks favoured North Asia, with key sector exposures being technology hardware and financials, where we discovered quality names with sustained earnings growth and strong free cash flow generation ability at compelling valuations. We maintained our underweight position in South Asia due to the mixed earnings outlook and demanding valuations. We maintained the portfolio dividend yield at above 4%.

In terms of performance attribution, Hong Kong / China and Korea were the top country contributors, while technology hardware and financials were the top sector performers. We increased our overall technology exposure in the first nine months of the year. Within this space, our core holdings in a leading Korean consumer electronic components manufacturer contributed the most.

Our position in a leading Chinese optical fibre company also contributed to the Fund's performance, largely thanks to stronger-than-expected margin improvement and positive earnings guidance. We trimmed technology positions overall at the beginning of Q4 2017 as we looked to lock in profits after a resilient run by the sector in the first nine months of the year.

In financial sector, our key contributors included a leading Chinese property developer and Chinese insurer (Ping An Insurance). The property developer benefited from strong sales, margin expansion and a continued surge in rental income from its investment properties. The company paid its first-ever interim dividend in Q3 and has made a strong commitment to maintaining a higher frequency of payments based on our feedback.

Market Review

The Asia ex-Japan market concluded the year on a high note on the back of synchronized global earnings growth, with the MSCI Asia ex Japan Index gaining 8.2% in Q4 2017 and returning 41.7% in 2017. In the high dividend space, the MSCI Asia ex Japan High Dividend Yield Index was up 6.0% in Q4 2017 and gained 29.3% in 2017.

In China, deleveraging and risk control remain a key policy focus in 2018, as evidenced by the tightening of local government financing after the 19th Party Congress. Although there are concerns that the continued moderation of growth – a consequence of policy tightening – may weigh on market performance, we believe the tightening measures are necessary for China to achieve healthier and higher quality growth in the longer run. We also believe these worries are unfounded because China is entering a new economic cycle where index performance decouples from gross domestic product (GDP) growth.

Broad-based consolidation is gathering pace across various industries in China and is helping companies to increase market share and strengthen pricing power. The government's calls for stepped-up supply-side reforms, which include reducing the number of state-owned enterprises (SOE), cutting excess capacity and closing down "zombie" firms, have been the key driving factor. Such initiatives are bearing fruit: the market shares of top players in major industries have increased noticeably over the past five years – i.e. the combined market share in China of the top five air conditioning manufacturers has expanded by more than 12% between 2012 and 2017 to over 80%. This is leading to stronger pricing power in consolidated enterprises and continues to translate to improved corporate profitability.

In South Korea, the economy benefited from recovering exports in 2017. For the whole year, the nation's exports expanded to a record high of USD573.9 billion, up by 15.8% compared to 2016. While the government is expecting modest export growth of 4% in 2018, downside risks such as the won's strength and rising interest rates and oil prices remain. Meanwhile, South Korea's consumer price index (CPI) rose 1.5% in December from a year ago to notch its highest reading in three months although the pace of growth was still modest.

The Taiwan market delivered a strong finish to 2017. Export recovery was the key highlighted, as December exports surged 14.8% yoy to a record high. The pace of growth was well above the expected 10.9%. The surge in exports was largely driven by robust global demand for technology products, namely semiconductors and consumer electronic goods. As a result, total exports were up 13.2% yoy in 2017, reversing a 2-year decline and recording its strongest growth since 2010. December PMI rose further to 56.6 (the highest reading since April 2011), supporting the government's upward revision of its 2017 GDP growth estimate (from 2.1% to 2.6%) in November.

Investment Outlook

Looking into 2018, we remain positive on the Asia ex-Japan market given its earnings strength and solid corporate fundamentals. The strength of the region's macro growth provides support for firms in an environment with lower financial vulnerability and under the new political leadership in China. This is expected to drive higher-quality growth in the long run. Currently, the region's valuation (as represented by the MSCI Asia ex Japan Index) of 12.9 times 12-month forward P/E is not demanding. With consensus 2018 earnings growth at a forecast 12.2%, markets are likely to continue their growth momentum.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Financial period ended <u>31.12.2017</u> USD	Financial period ended <u>31.12.2016</u> USD
INVESTMENT INCOME		
Dividend income	1,539,534	1,768,271
Interest income from deposits with licensed financial institutions	7,065	4,562
Net gain/(loss) on foreign currency exchange	34,194	(475,970)
Net gain on financial assets at fair value through profit or loss	6,504,434	151,938
Rebate of management fee	464,957	382,240
	<u>8,550,184</u>	<u>1,831,041</u>
EXPENSES		
Management fee	(637,669)	(570,480)
Trustee fee	(15,459)	(13,827)
Auditors' remuneration	(1,276)	(1,453)
Tax agent's fee	(663)	(717)
Other expenses	(46,515)	(41,115)
	<u>(701,582)</u>	<u>(627,592)</u>
NET PROFIT BEFORE FINANCE COST AND TAXATION	7,848,602	1,203,449
FINANCE COST		
Distributions	(648,529)	(70,066)
NET PROFIT BEFORE TAXATION	7,200,073	1,133,383
TAXATION	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>7,200,073</u>	<u>1,133,383</u>
Increase in net assets attributable to unitholders income comprise the following:		
Realised amount	764,864	982,628
Unrealised amount	6,435,209	150,755
	<u>7,200,073</u>	<u>1,133,383</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	<u>2017</u> USD	<u>2016</u> USD
ASSETS		
Financial assets at fair value through profit or loss	61,451,708	35,579,822
Cash and cash equivalents	2,509,600	1,877,114
Dividend receivable		179,518
Amount due from Manager		
- creation of units	449,727	84,692
Rebate of management fee receivable	62,729	38,811
TOTAL ASSETS	<u>64,473,764</u>	<u>37,759,957</u>
LIABILITIES		
Amount due to Manager		
- management fee	85,883	56,877
- cancellation of units	54,151	254,364
Amount due to Trustee	2,082	1,379
Amount due to brokers	650,000	-
Auditors' remuneration	1,573	3,442
Tax agent's fee	2,022	2,866
Other payable and accruals	7,233	1,604
TOTAL LIABILITIES	<u>802,944</u>	<u>320,532</u>
NET ASSET VALUE OF THE FUND	<u>63,670,820</u>	<u>37,439,425</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>63,670,820</u>	<u>37,439,425</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (CONTINUED)**

	<u>2017</u> USD	<u>2016</u> USD
REPRESENTED BY		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Class	14,327,557	7,065,389
- RM Class	25,100,306	19,685,640
- SGD Class	10,709,897	4,987,495
- USD Class	13,533,060	5,700,901
	<u>63,670,820</u>	<u>37,439,425</u>
NUMBER OF UNITS IN CIRCULATION		
- AUD Class	33,328,000	20,998,000
- RM Class	168,557,000	169,074,000
- SGD Class	25,847,000	15,379,000
- USD Class	23,847,000	12,837,000
	<u>251,579,000</u>	<u>218,288,000</u>
NET ASSET VALUE PER UNIT (USD)		
- AUD Class	0.4299	0.3365
- RM Class	0.1489	0.1164
- SGD Class	0.4144	0.3243
- USD Class	<u>0.5675</u>	<u>0.4441</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Class	AUD 0.5503	AUD 0.4661
- RM Class	RM 0.6023	RM 0.5223
- SGD Class	SGD 0.5534	SGD 0.4693
- USD Class	<u>USD 0.5675</u>	<u>USD 0.4441</u>

**STATEMENT OF CHANGES IN NET ASSET ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Financial period ended <u>31.12.2017</u> USD	Financial period ended <u>31.12.2016</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	39,140,761	51,602,522
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	31,622,408	4,969,760
- AUD class	7,246,226	857,710
- RM class	8,611,837	1,477,111
- SGD class	5,839,170	206,265
- USD class	9,925,175	2,428,674
Creation of units arising from distribution	632,014	70,065
- AUD class	145,083	13,561
- RM class	237,950	33,636
- SGD class	106,262	10,652
- USD class	142,719	12,216
Cancellation of units	(14,924,436)	(20,336,305)
- AUD class	(2,457,186)	(4,176,020)
- RM class	(6,064,723)	(6,734,941)
- SGD class	(1,563,066)	(4,613,726)
- USD class	(4,839,461)	(4,811,618)
Net increase in net assets attributable to unitholders during the financial period	7,200,073	1,133,383
- AUD class	1,529,029	226,354
- RM class	3,130,633	414,795
- SGD class	993,007	216,797
- USD class	1,547,404	275,437
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>63,670,820</u>	<u>37,439,425</u>

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