Affin Hwang
Dividend Value Fund

Quarterly Report

30 June 2016

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

AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
Deutsche Trustees Malaysia Berhad (763590-H)

AFFIN HWANG DIVIDEND VALUE FUND

Quarterly Report and Financial Statements
As at 30 June 2016

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QUARTERLY REPORT

MANAGER'S VIEW ON PORTFOLIO & MARKET

Fund Type, Category, Objective and Distribution Policy

Affin Hwang Dividend Value Fund (the Fund) is a growth categorized under feeder (wholesale) that aims to achieve capital appreciation over medium to long term by investing in a collective investment scheme, namely the Value Partners High-Dividend Stocks Fund managed by Value Partners Limited.

The Fund will distribute income (subject to income availability) on a quarterly basis after the end of the first financial year

Benchmark

The benchmark used by the Manager in measuring the performance of the Fund is Dow Jones Asia Select Dividend (the "Benchmark").

**Note: The above Benchmark is available at no cost to the investor at http://www.djindexes.com/dividend/*

Performance of the Fund (1 April 2016 – 30 June 2016)

RM Class

For the period under review from 1 April 2016 to 30 June 2016, the Fund registered a return of 2.45%. It outperformed the Benchmark return of -1.22% by 3.66%. The Net Asset Value (NAV) per unit of the Fund on 30 June 2016 was RM0.4582. (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 under review from 1 April 2016 to 30 June 2016, the Fund registered a return of -0.83%. It outperformed the Benchmark return of -4.15% by 3.32%. The Net Asset Value (NAV) per unit of the Fund on 30 June 2016 was USD0.4341. (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 under review from 1 April 2016 to 30 June 2016, the Fund registered a return of 2.18%. It outperformed the Benchmark return of -1.27% by 3.45%. The Net Asset Value (NAV) per unit of the Fund on 30 June 2016 was AUD0.4420. (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 under review from 1 April 2016 to 30 June 2016, the Fund registered a return of -0.73%. It outperformed the Benchmark return of -4.00% by 3.00%. The Net Asset Value (NAV) per unit of the Fund on 30 June 2016 was SGD0.4276. (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 (1/4/16 - 30/6/16)	6 Months (1/1/16 - 30/6/16)	Since Commencement (22/7/15 - 30/6/16)
Fund	(0.83%)	(4.05%)	(13.13%)
Benchmark	(4.15%)	(5.41%)	(15.39%)
Outperformance / (Underperformance)	3.32%	1.35%	2.26%

Source of Benchmark : Bloomberg

AUD Class

	3 Months (1/4/16 - 30/6/16)	6 Months (1/1/16 - 30/6/16)	Since Commencement (22/7/15 - 30/6/16)
Fund	**2.18%**	**(5.68%)**	**(11.55%)**
Benchmark	**(1.27%)**	**(7.40%)**	**(16.24%)**
Outperformance / (Underperformance)	**3.45%**	**1.72%**	**4.69%**

Source of Benchmark : Bloomberg

MYR Class

	3 Months (1/4/16 - 30/6/16)	6 Months (1/1/16 - 30/6/16)	Since Commencement (22/7/15 - 30/6/16)
Fund	**2.45%**	**(10.02%)**	**(8.31%)**
Benchmark	**(1.22%)**	**(12.27%)**	**(11.31%)**
Outperformance / (Underperformance)	**3.66%**	**2.24%**	**3.00%**

Source of Benchmark : Bloomberg

SGD Class

	3 Months (1/4/16 - 30/6/16)	6 Months (1/1/16 - 30/6/16)	Since Commencement (22/7/15 - 30/6/16)
Fund	**(0.73%)**	**(8.38%)**	**(14.43%)**
Benchmark	**(4.00%)**	**(9.95%)**	**(16.45%)**
Outperformance / (Underperformance)	**3.00%**	**1.56%**	**2.02%**

Source of Benchmark: Bloomberg

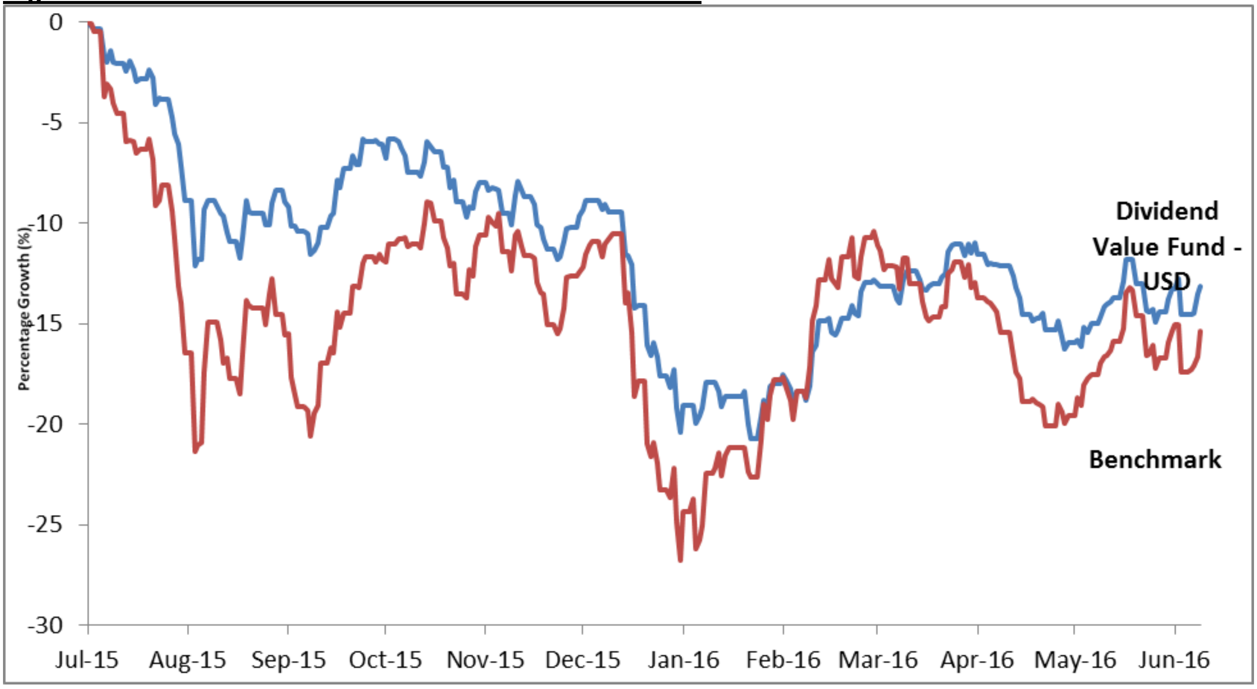
Table 2: Volatility as at 31 December 2015

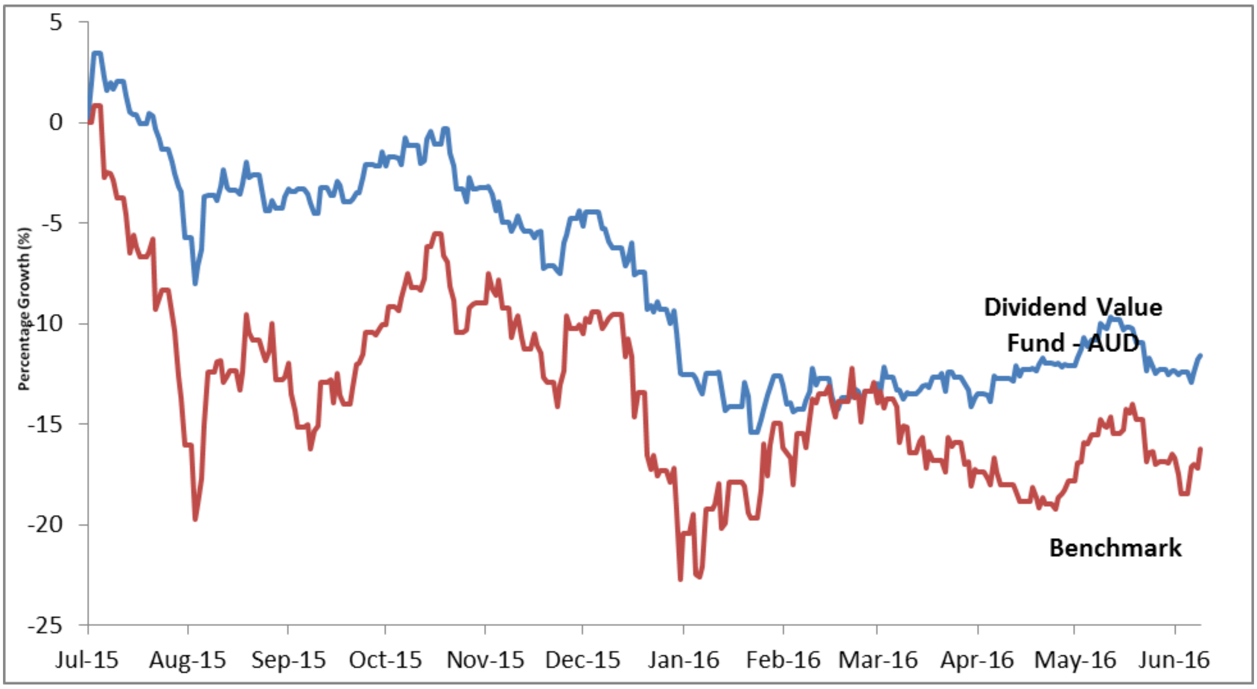
	3 Year
Fund	**NA**

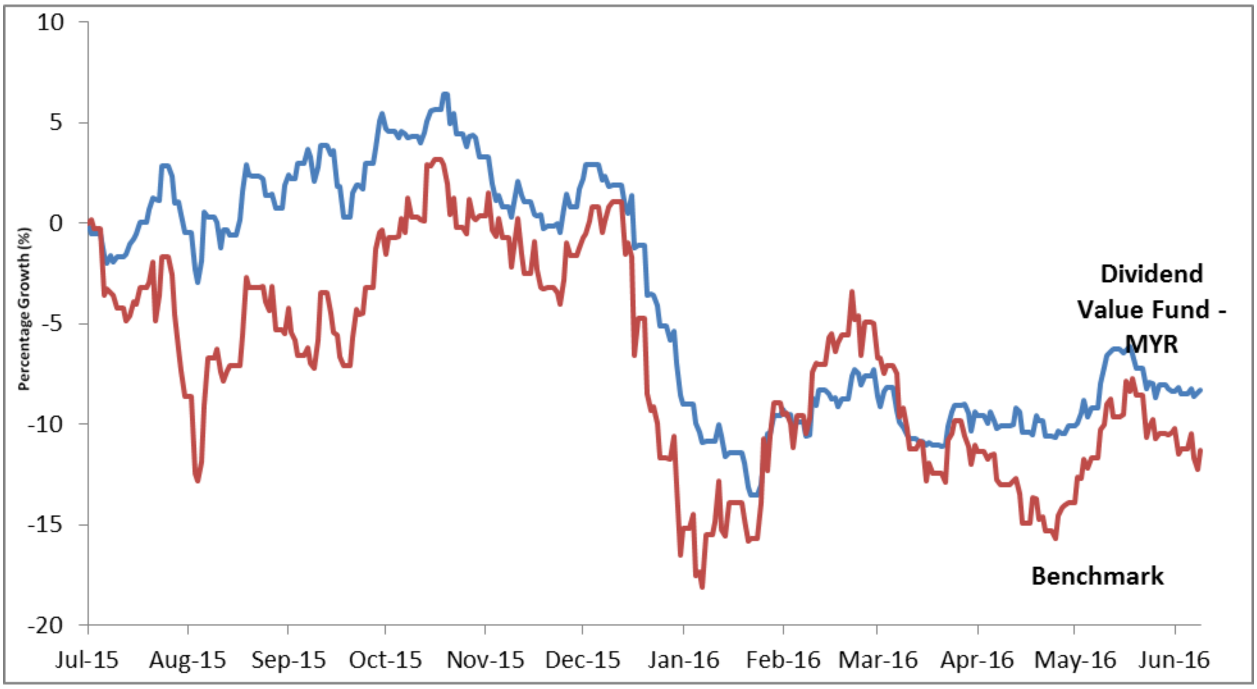
The data for a 3-year annualized volatility as at 30 June 2016 is not available as the Fund has yet to record 3 years performance data.

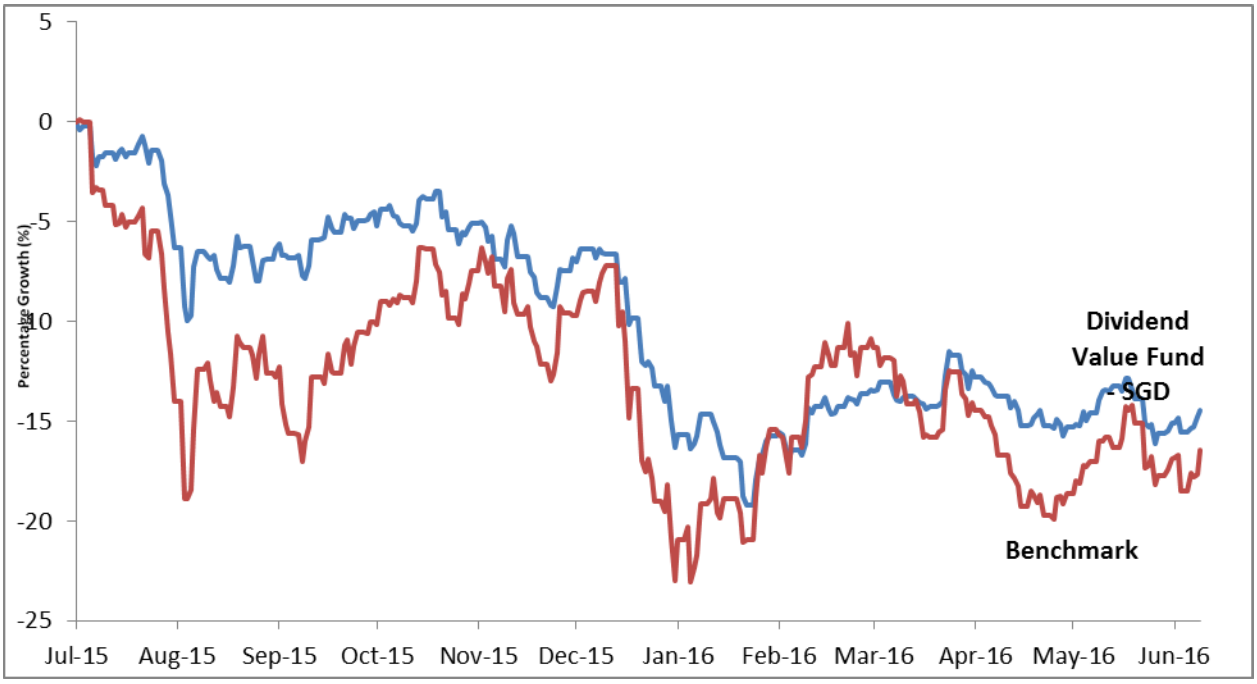
(Volatility is a number calculated based on methodology endorsed and relating to the sensitivity of the portfolio return of a fund to changes in the market conditions and the general economy. It is also based on an evaluation of a specific set of quantitative factors involving the performance of the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

Figure 1: Movement of the Fund versus the Benchmark









"This information is prepared by Affin Hwang Asset Management Berhad 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

Strategies Employed (1 April 2016 to 30 June 2016)

The second quarter remained a challenging period for Chinese equities. Investors focused more on macro concerns than companies' fundamentals, as an "authoritative person" spoke to a leading China media about the L-shaped China economy outlook, and tempered market expectations for a large stimulus program. The heightened uncertainty in policy direction led to broad-based market weakness.

During the second quarter, the Target Fund's positions in consumer staples, consumer discretionary and information technology were among the top contributors. The Target Fund's positions in Korea cosmetic and convenience stores led the portfolio performance. For Korea convenience stores in particular, the share prices benefited from stronger than-expected new store momentum year-to-date, and gross margin expansion was expected in 2016 due to improvements in product mix driven by more than 180% growth year-on-year in lunch box productions. The Target Fund's exposure to a Taiwan technology company which produces lens hardware was also among the top contributors. The higher dual-cam penetration in smartphones driven by more mature ecosystem supports margin expansion.

In the consumer discretionary space, the Target Fund's position in Skyworth Digital Technology yielded positively with its dominant market shares in China, solid profitability and huge valuation discount compared with international peers. Skyworth Digital focuses on providing global customers with digital TV products and services. Skyworth is currently the largest branded TV producer in China. Skyworth reported better-than-consensus 2016 results with its core net profit increased by 22.9% year-on-year. The company continued to demonstrate solid profitability with gross margin rose to near record level at 21.9% despite the decline in average selling prices. In the wake of growing competition, Skyworth has expanded its product mix towards more high-end models with higher margins, with a main focus on the sale of 4K TVs which was up 98% year-on-year and accounted for approximately 41% of the business. In addition, overseas TV sales were strong: Skyworth has set TV shipment guidance at 6 million units in FY17, representing 36.1% growth year-on-year. Currently the share price is trading at 7.5 times price-to-earnings ratio with a dividend yield of 4.4%.

The Target Fund's Managers had trimmed the majority of their bond exposures as they see relative attractiveness in equity yields. The Target Fund's Managers remained constructive about the dividend strategy in Asia as global interest rates are likely to stay low for longer period and policies shall stay accommodative within the region.

Asset Allocation

The Fund's asset allocation exposure to the collective investment scheme stood at 83.90% of the Fund's NAV, while the balance was held in cash. For a snapshot of the Fund's asset mix as at 30 June 2016 please refer to Figure 2.

Figure 2: Summary of Asset Allocation

Asset Allocation	**30 June 2016**	**31 March 2016**	**31 December 2015**
Collective Investment Scheme	83.90%	80.40%	89.35%
Cash	16.10%	19.60%	10.65%
Total	**100.00%**	**100.00%**	**100.00%**

Review of Market (1 April 2016 to 30 June 2016)

China fears overblown

Amongst all the major economies around the world, China is one of the very few that is still growing at a decent pace of 6% per annum. Despite the moderation in growth from its peak, the Target Fund's Managers don't believe China is entering into an economic hard-landing or debt driven crisis. Social stability in China is relatively intact, and the government is carefully walking a tightrope between managing growth and pressing ahead with structural reforms.

While Brexit may make it more difficult for China to maintain a stable currency, it is likely that the People's Bank of China would resort to intervention to stabilize the RMB in case of huge capital outflow, and it has the resources to do so. One can recall that during the global financial crisis of 2008 the Chinese leadership were able to insulate China from the crisis with various forceful measures. Those who bet against RMB were proven wrong, and they are likely to remain wrong.

South Korea: expectations of further loosening

Responding to the prolonged export weakness and the growing pressure to ease policies, the Bank of Korea surprised the market with a rate cut in early June. The base rate was lowered by 25 basis points to a historical low level of 1.25%, marking the first rate cut in a year. Another move came towards the end of the month – in the form of a 10-trillion-won supplementary budget for the second half of this year. The stimulus package was aimed at creating jobs and cushioning the repercussions of corporate restructuring. Meanwhile, the Korean government cut its 2016 GDP growth forecast to 2.8% from 3.1%. Although Korea's trade link with Britain is limited, with only 1% to 2% of the country's exports and imports as of 2015, "Brexit" is adding pressure on the central bank to cut key rate further this year.

ASEAN: hunting for values selectively
In the ASEAN region, the Target Fund's Managers continued to find investment opportunities in spite of the relatively higher valuations and the stagnating global environment that dragged the region's exporters. Focus for the region was on infrastructure developments as various governments utilize fiscal stimulus to boost the economy. For Malaysia in particular, there has been encouraging efforts by the government in its infrastructure development with a large number of projects coming up such as the high speed railway and new subway lines. Currently, the Target Fund's Managers favour Singapore, with a focus on REITs and telecommunication companies, as it is likely to benefit from the yield chasing trend.

Investment Outlook

Growth opportunities are scarce
The world is sailing into uncharted waters. The Brexit shock has come at a time when the global economy is struggling with weak economic and profits growth. The British vote against more integrated global markets shows that protectionism and social unrest remain an elevated investment risk. As a result, the Target Fund's Managers expect further pressure on global trade and a knock-off impact on the global economy. We have entered an extended period of uncertainty, which now weighs not only on the developing countries but also the developed world.

It's time to look at Asia again
For three years in a row since 2013, the Asia ex Japan region has recorded a net outflow, and emerging markets have been unpopular amongst global investors. Brexit, in fact, may reverse this trend given the shortage of good investment opportunities around the world. While stock markets were hammered, the actual impact on Asia ex Japan fundamentally is rather limited. First of all, the UK's trade relationship with Asia ex Japan is limited– the region's average export exposure to the UK is only around 0.9% of GDP. Besides, UK represents only 3% of China's exports, the demand for Chinese products are unlikely to dry up due to Brexit and the business of most Chinese companies should not be fundamentally affected. In the unlikely case of economic fallout, the Target Fund's Managers believe that Asian policy makers will respond with monetary policy easing, and they do have room to accommodate that given inflation remains low. Central banks and policymakers around the world are positioned to loosen amidst heightened uncertainty in the global environment, or keep interest rates lower for longer. The expectation of a US Fed hike continues to dwindle, which is generally favourable to Asian equities.

Value investors' long winter may be passing
In the first six months up to end of June 2016, Value Partners High-Dividend Stocks Fund declined 3.2%. In the same period, the reference index1 was up 3.2%.

In the Asia region, 2016 continues the trend of a long 3-year winter for the value investment style. Since the second half of 2013, the growth style has outperformed the value style in the Asia ex-Japan markets most of the time. The risk aversion environment at the moment may actually trigger a reversal and bring the value style back in favor. In a risk-off mode, investors tend to look for opportunities that are priced at attractive level with higher safety margin.

For bargain hunters, the current market weakness may present window for entry: MSCI Asia ex-Japan Index is trading at 12.9x P/E and 1.3x P/B, close to the lows during global financial crisis and the SARS epidemic. Asian stocks are at very attractive valuations especially when we take into account the trend of a stronger tendency for Asian companies to increase dividend payouts – a reflection of the stronger financial position of Asian companies and an increasing focus on shareholder returns. At the moment, the Target Fund's portfolio trades attractively at an average price-to-earnings ratio of 8.1 times, with an average dividend yield of 4.5%.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Financial period ended 30.6.2016 USD
INVESTMENT LOSS	
Dividend income	618,652
Interest income	1,935
Net (loss)/gain on foreign currency exchange	7,691
Net loss on financial assets at fair value through profit or loss	(950,615)
	(322,337)
EXPENSES	
Management fee	(77,417)
Trustee fee	(4,981)
Auditors' remuneration	(481)
Tax agent's fee	(238)
Other expenses	(14,343)
	(97,460)
NET LOSS BEFORE FINANCE COST AND TAXATION	(419,797)
FINANCE COST	
Distributions	(27,718)
NET LOSS BEFORE TAXATION	(447,515)
TAXATION	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(447,515)
Net loss after taxation and total comprehensive loss comprise the following:	
Realised amount	534,127
Unrealised amount	(953,924)
	(419,797)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	2016
	USD
ASSETS	
Financial assets at fair value through profit or loss	40,504,478
Cash and cash equivalents	8,163,031
Dividend receivables	206,242
Amount due from Manager	
- creation of units	120,015
TOTAL ASSETS	48,993,766
LIABILITIES	
Amount due to Manager	
- management fee	24,672
- cancellation of units	685,572
Amount due to Trustee	1,605
Auditors' remuneration	2,471
Tax agent's fee	2,386
Other payable and accruals	7,382
TOTAL LIABILITIES	724,088
NET ASSET VALUE OF THE FUND	48,269,678
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	48,269,678

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 (CONTINUED)

	2016 USD
REPRESENTED BY	
FAIR VALUE OF OUTSTANDING UNITS	
- AUD CLASS	9,285,631
- RM CLASS	22,485,029
- SGD CLASS	7,861,582
- USD CLASS	8,637,436
NUMBER OF UNITS IN CIRCULATION	
- AUD CLASS	28,235,000
- RM CLASS	197,595,000
- SGD CLASS	24,802,000
- USD CLASS	19,898,000
NET ASSET VALUE PER UNIT (AUD CLASS)	0.3289
NET ASSET VALUE PER UNIT (RM CLASS)	0.1138
NET ASSET VALUE PER UNIT (SGD CLASS)	0.3170
NET ASSET VALUE PER UNIT (USD CLASS)	0.4341

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Financial period ended 30.6.2016 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	51,602,522
Movement due to units created and cancelled during the financial period:	
AUD class	
Creation of units arising from applications	480,478
Cancellation of units	(1,244,122)
	(763,644)
RM class	
Creation of units arising from applications	438,345
Cancellation of units	(2,230,942)
	(1,792,597)
SGD class	
Creation of units arising from applications	26,322
Cancellation of units	(1,243,701)
	(1,217,379)
USD class	
Creation of units arising from applications	1,715,725
Cancellation of units	(827,434)
	888,291
Net decrease in net assets attributable to unitholders during the financial period	(447,515)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	48,269,678

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