

Affin Hwang World Series - Global Income Fund

Quarterly Report
31 May 2018

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
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AFFIN HWANG WORLD SERIES – GLOBAL INCOME FUND

Quarterly Report and Financial Statements As at 31 May 2018

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Income Fund	
Fund Type	Income	
Fund Category	Bond feeder (wholesale)	
Investment Objective	The Fund aims to provide investors with regular income through investments in global fixed income instruments.	
Benchmark	Barclays U.S. Aggregate Index	
Distribution Policy	Subject to the availability of income, the Fund endeavours to distribute income for 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	
	GBP Hedged-class	
	EUR Hedged-class	

Performance Review

AUD Hedged-class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – AUD hedged-class registered a loss of 0.40%. Compared to the Benchmark return of 3.60%, the Fund thus underperformed its Benchmark by 4.00%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was AUD0.5295 while the NAV per Unit as at 28 February 2018 was AUD0.5341. On total NAV basis, the Fund's NAV stood at AUD18.698 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

GBP Hedged-class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – GBP hedged-class registered a loss of 0.76%. Compared to the Benchmark return of 4.33%, the Fund thus underperformed its Benchmark by 5.09%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was GBP0.5065 while the NAV per Unit as at 28 February 2018 was GBP0.5129. On total NAV basis, the Fund's NAV stood at GBP20.632 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

MYR Class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – MYR class registered a loss of 1.14%. Compared to the Benchmark return of 2.07%, the Fund thus underperformed its Benchmark by 0.93%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was RM0.5051 while the NAV per Unit as at 28 February 2018 was RM0.5004. On total NAV basis, the Fund's NAV stood at RM22.414 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

MYR Hedged-class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – MYR hedged-class registered a loss of 0.11%. Compared to the Benchmark return of 2.07%, the Fund thus underperformed its Benchmark by 2.18%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was RM0.5459 while the NAV per Unit as at 28 February 2018 was RM0.5490. On total NAV basis, the Fund's NAV stood at RM231.296 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

SGD Hedged-class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – SGD hedged-class registered a loss of 0.69%. Compared to the Benchmark return of 1.82%, the Fund thus underperformed its Benchmark by 2.51%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was SGD0.5155 while the NAV per Unit as at 28 February 2018 was SGD0.5216. On total NAV basis, the Fund's NAV stood at SGD30.060 million as at 31 May 2018 (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 March 2018 to 31 May 2018, the Fund – USD class registered a loss of 0.34%. Compared to the Benchmark return of 0.61%, the Fund thus underperformed its Benchmark by 0.95%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was USD0.5287 while the NAV per Unit as at 28 February 2018 was USD0.5340. On total NAV basis, the Fund's NAV stood at USD43.134 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

EUR Hedged- class

For the period under review from 1 March 2018 to 31 May 2018, the Fund – EUR hedged-class registered a return of 1.75%. Compared to the Benchmark return of 5.24%, the Fund thus underperformed its Benchmark by 6.99%. The Net Asset Value (NAV) per Unit of the Fund as at 31 May 2018 was EUR0.4929 while the NAV per Unit as at 28 February 2018 was EUR0.5017. On total NAV basis, the Fund's NAV stood at EUR 2.046 million as at 31 May 2018 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Table 1: Performance as at 31 May 2018

AUD hedged-class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	(0.40%)	(1.28%)	0.82%	7.59%
Benchmark	3.60%	(1.08%)	(2.09%)	(2.18%)
Outperformance / (Underperformance)	(4.00%)	(0.20%)	2.91%	9.77%

GBP hedged-class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	(0.76%)	(1.76%)	(0.17%)	2.98%
Benchmark	4.33%	0.56%	(3.39%)	(1.21%)
Outperformance / (Underperformance)	(5.09%)	(2.32%)	3.22%	4.19%

MYR class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	1.14%	(3.96%)	(6.31%)	2.87%
Benchmark	2.07%	(3.75%)	(7.59%)	(3.71%)
Outperformance / (Underperformance)	(0.93%)	(0.21%)	1.28%	6.58%

MYR hedged-class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	(0.11%)	(0.63%)	2.10%	10.68%
Benchmark	2.07%	(3.75%)	(7.59%)	(2.19%)
Outperformance / (Underperformance)	(2.18%)	3.12%	9.69%	12.87%

SGD hedged-class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	(0.69%)	(1.67%)	0.02%	4.78%
Benchmark	1.82%	(1.75%)	(3.54%)	(1.19%)
Outperformance / (Underperformance)	(2.51%)	0.08%	3.56%	5.97%

USD class

	3 Months (1/3/18 - 31/5/18)	6 Months (1/12/17 - 31/5/18)	1 Year (1/6/17 - 31/5/18)	Since Commencement (13/6/16 - 31/5/18)
Fund	(0.34%)	(1.15%)	0.90%	8.13%
Benchmark	0.61%	(1.04%)	(0.37%)	0.20%
Outperformance / (Underperformance)	(0.95%)	(0.11%)	1.27%	7.93%

EUR hedged-class

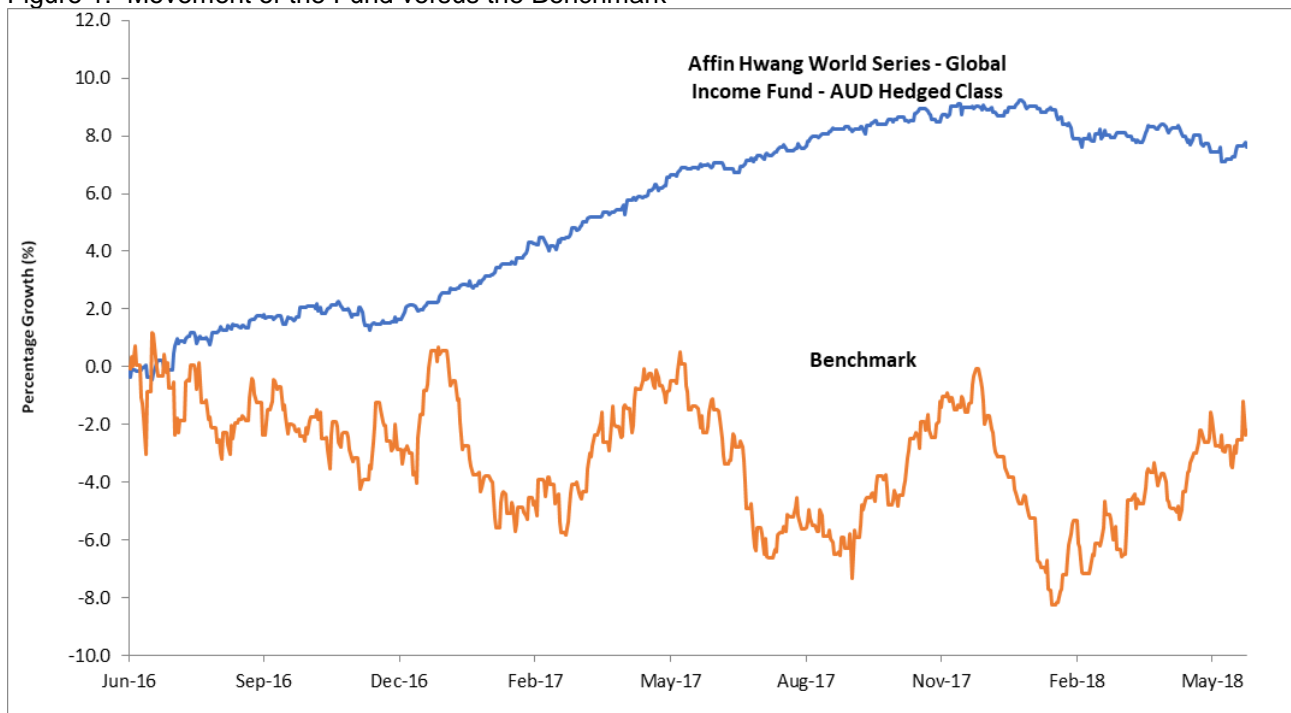
	3 Months (1/3/18 - 31/5/18)	Since Commencement (22/2/18 - 31/5/18)
Fund	(1.75%)	(1.42%)
Benchmark	5.24%	6.65%
Outperformance / (Underperformance)	(6.99%)	(8.07%)

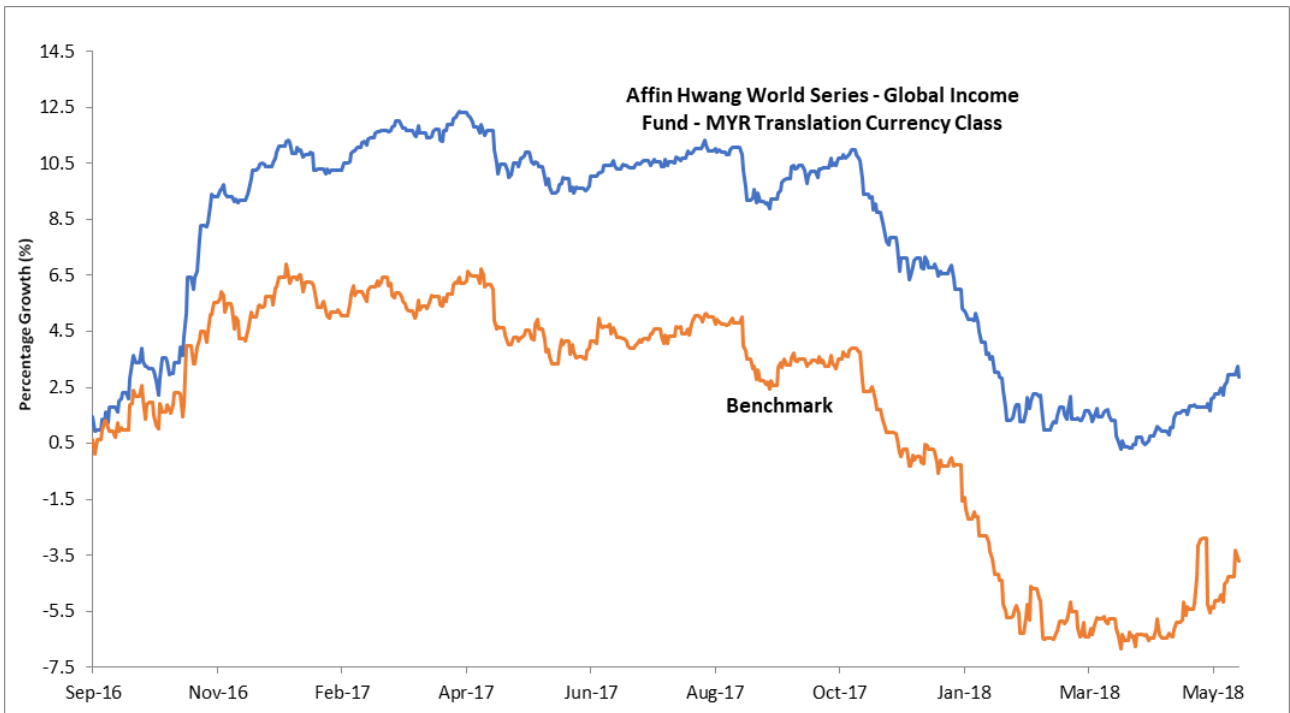
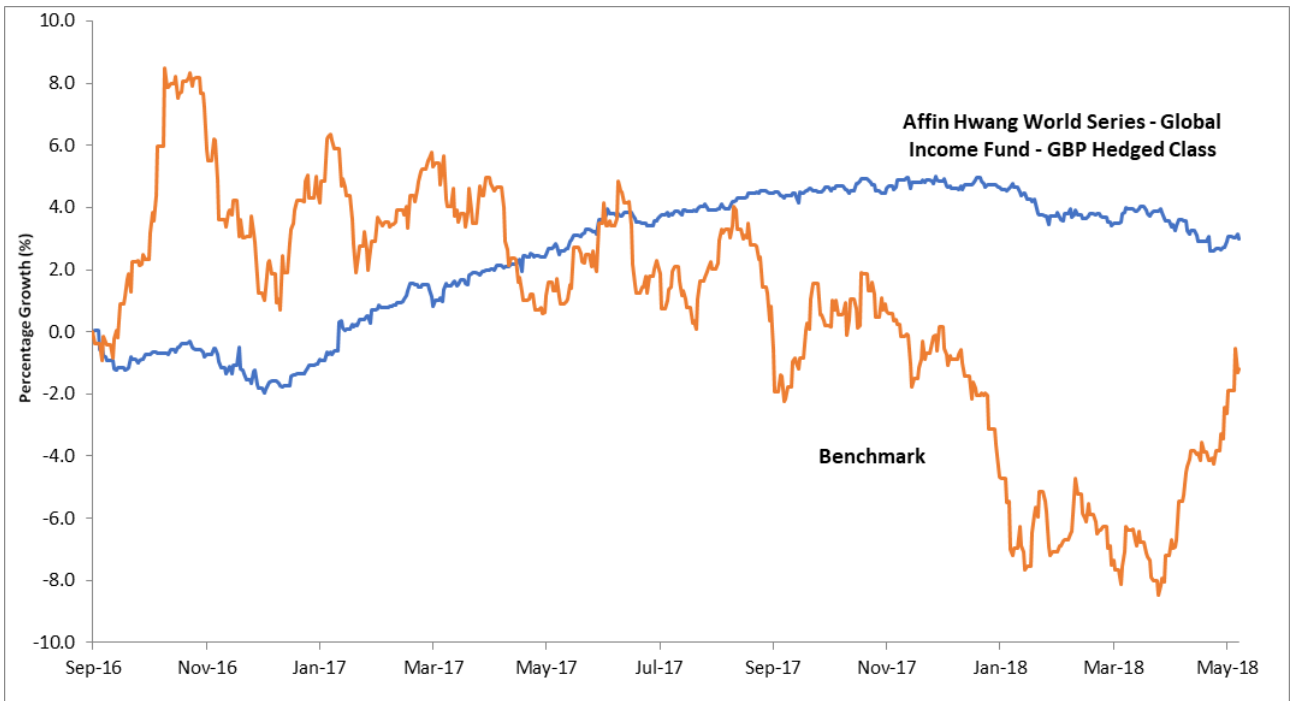
Table 2: Volatility as at 31 May 2018

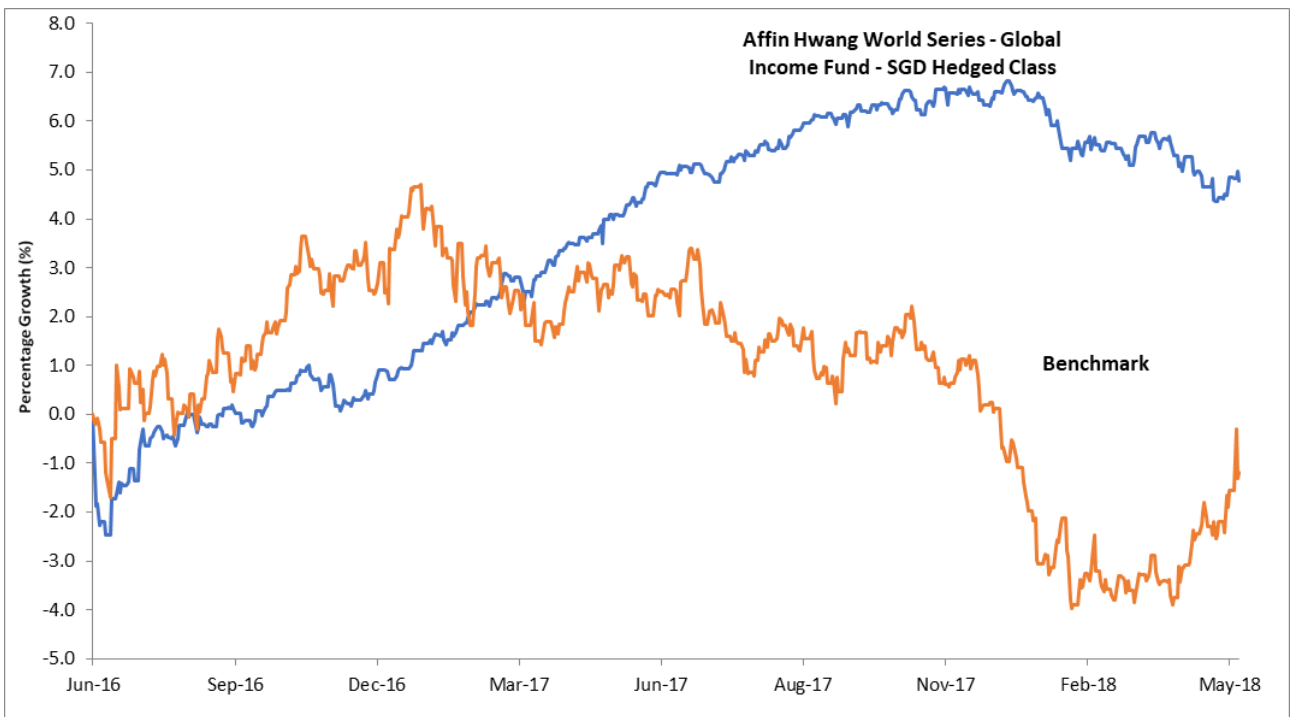
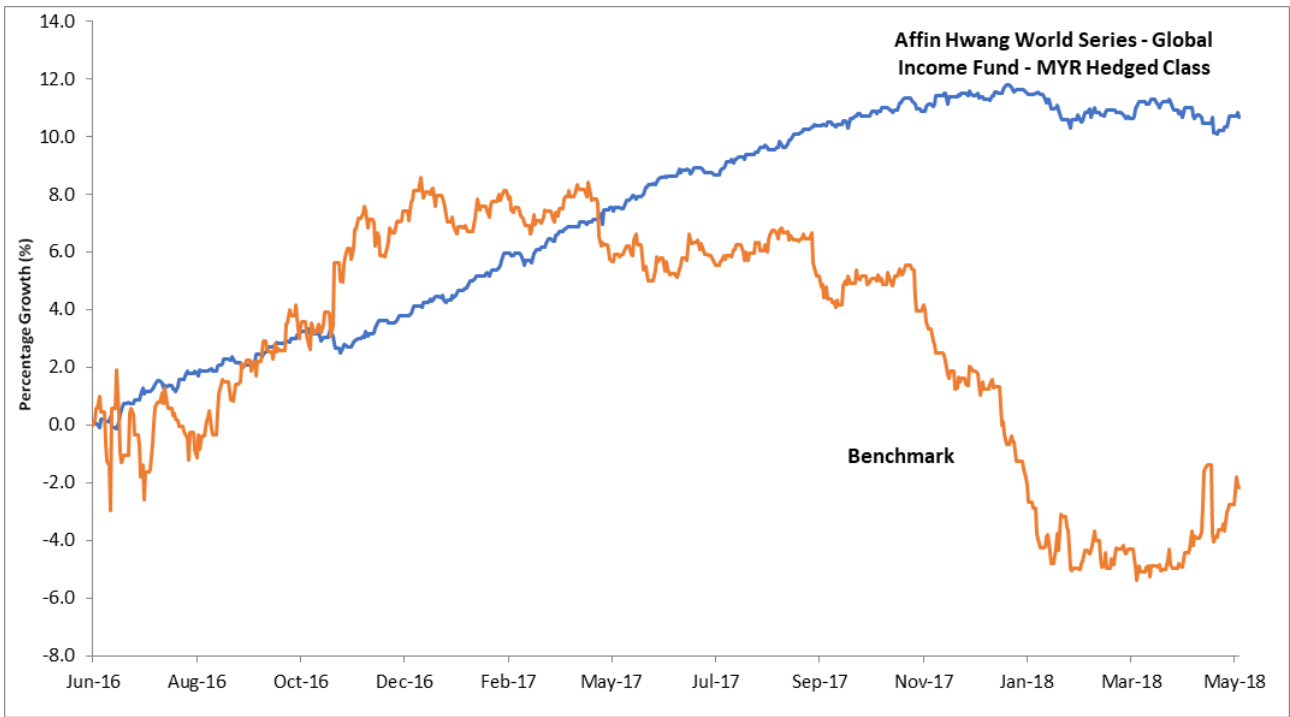
	3 Year
Fund	N/A

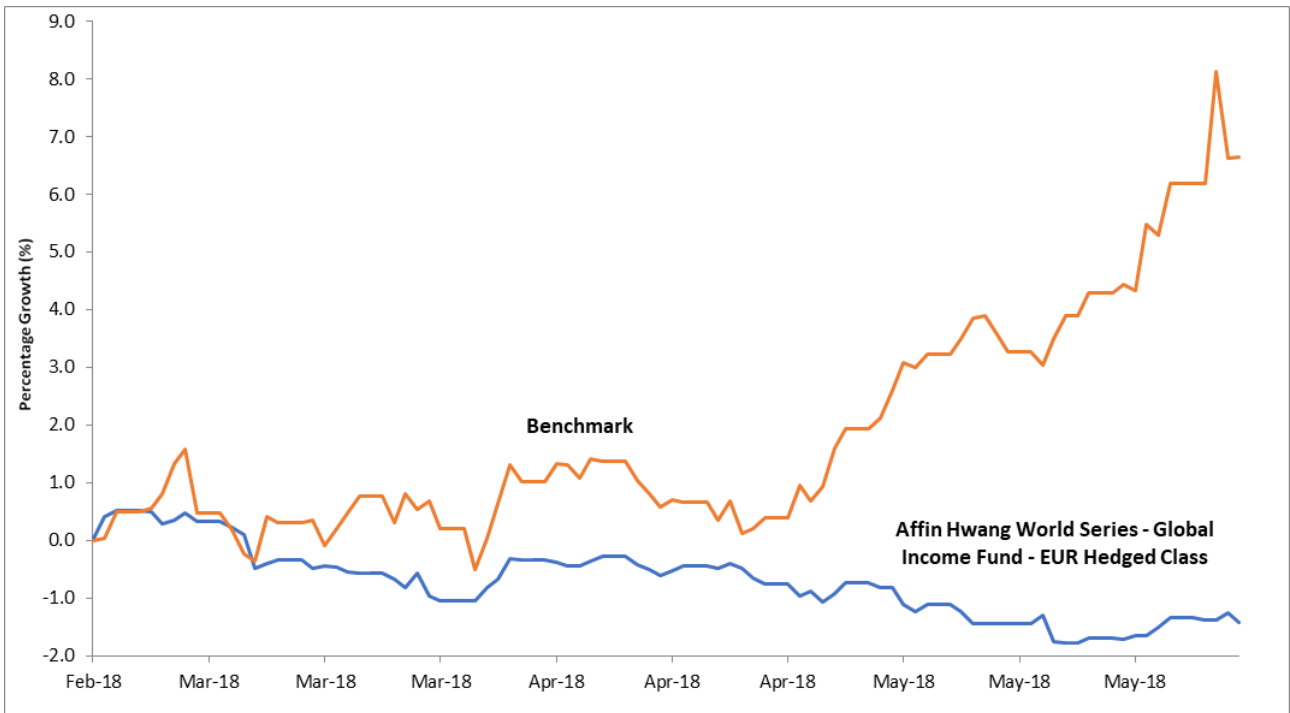
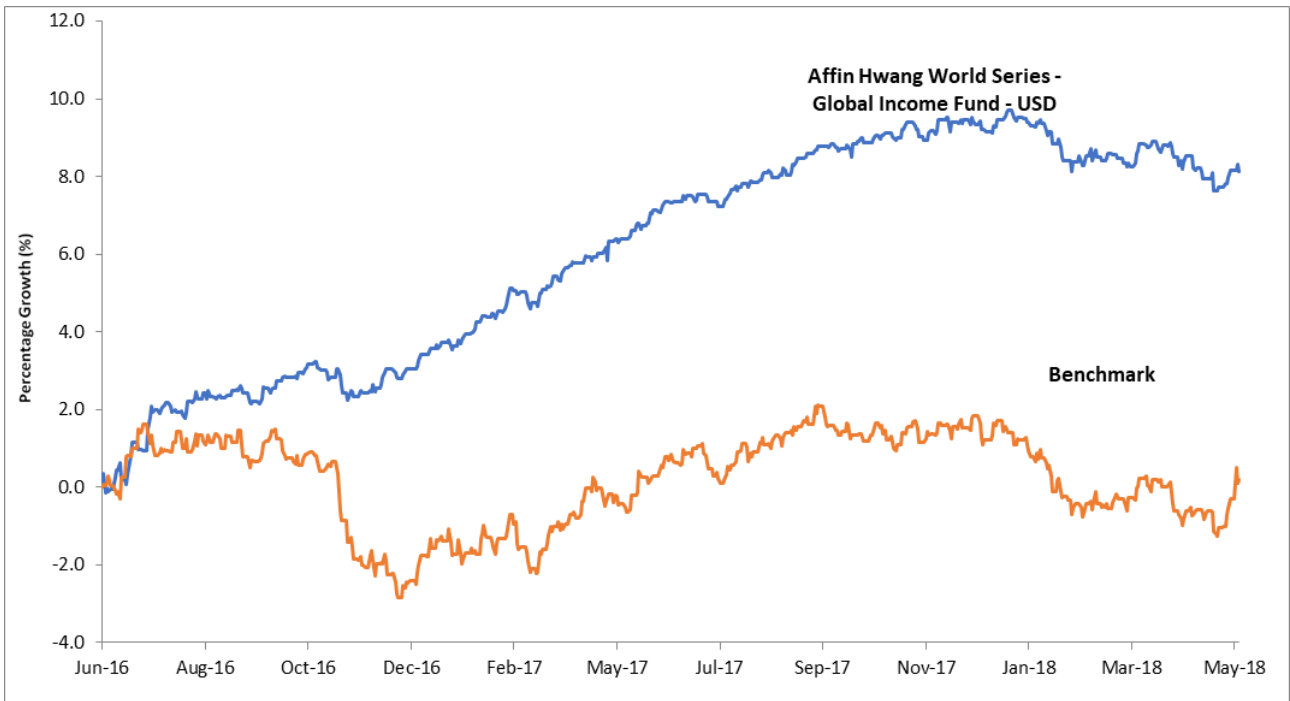
The data for 3-year annualized volatility as at 31 May 2018 is not available as the Fund has yet to record 3-years of performance data. 3-year annualized volatility is a global standard used to report on Fund volatility as shorter time period would not provide a stable representation as well as being too sensitive to additional data points.

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: Barclays U.S. Aggregate Index

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 May 2018	28 Feb 2018	31 Nov 2017
	(%)	(%)	(%)
Collective investment scheme	98.11	97.43	99.92
Cash	1.89	2.57	0.08
Total	100.00	100.00	100.00

Strategies Employed

The Fund is divided into two general sections: higher yielding assets that may benefit when economic growth is robust and higher quality assets that may benefit if economic growth is weak.

Within the higher quality section, we focus duration exposure in developed countries, primarily in the U.S. and Australia. We believe Australian rates have room to fall if the country's growth remains sluggish. To balance these positions, we also hold a short to Japanese duration as a hedge to global rates rising.

The higher yielding section is weighted toward senior positions in the capital structure. We allocate to investment grade corporate credits and other high quality "safe spread" sectors, such as Agency MBS and highly rated CMBS. We are cautious in our allocation to high yield corporates and are mindful of liquidity in the sector. In emerging markets, we focus on large, quasi-sovereign entities as well as exposures to local interest rate duration in select countries such as Mexico.

We remain tactical in our currency positioning, which is limited overall. We hold a long U.S. dollar position versus developed market currencies as a way of expressing our views on relative growth and the path of rates. We are also tactically long a basket of EM currencies for additional diversification.

Market Review

Markets were broadly risk-off in May. Peripheral spreads widened sharply, emerging market assets struggled and core interest rates headed lower. USD continued to strengthen versus major currencies following the trend from April.

Starting with – investors fretted over the potential for a Eurosceptic coalition. Anti-establishment parties Five Star Movement and Northern League struggled to form a government, with their proposed Finance Minister Savona being blocked by President Mattarella. The candidate was blocked due to his Eurosceptic credentials and the coalition collapsed at the news. Consequently, Carlo Cottarelli was designated Prime Minister to lead a technocratic government in an interim capacity. Italy's 5y sovereign CDS rose by over 100 bps to the highest in 5 years, and 2y yields increased by over 180 bps in a day – the largest single day rise since Reuters' records began in 1996.

Staying in Europe, Italy was certainly not alone in its political turmoil. Spain also faced challenges as a no-confidence vote was called against its Prime Minister Mariano Rajoy following a recent court ruling on a corruption case involving his party. The court fined and sentenced members of the governing Popular party in a controversial series of affairs.

Turning to the U.S., the Trump administration's trade policy once again dominated Washington. The White House announced that it will move forward with the number of actions linked to the Section 301 investigation into China's use of American IP. These include investment restrictions on Chinese investments in the U.S., as well as \$50bn tariffs on Chinese goods and proceeding with a case against China in the WTO. The administration also announced that it plans to move forward with planned steel and aluminium tariffs on the EU – which released its own planned tariffs in retaliation. The retaliatory tariffs would disproportionately impact goods in Congressional leadership's districts (including Kentucky whiskies and Harley Davidson motorbikes). U.S. tariffs on steel and aluminium would also be imposed on Canada and Mexico, which many thought would benefit from continued exemptions as NAFTA negotiations continue.

The White House also made headlines as the situation in North Korea continued to unfold. President Trump announced that he would not be travelling to meet with Kim Jung Un on June 12th. He said that this was in response to the “tremendous anger and open hostility” shown by North Korea. Trump also warned that the U.S. military is “ready if necessary” and has “massive nuclear” capabilities. Since then, both parties have worked towards salvaging the event – with a senior North Korean general meeting with Mike Pompeo in New York, for example, to pave the way for a Trump-Kim summit. The challenge for the U.S. is to confirm what North Korea really means by “complete denuclearization” and what the Kim regime would demand in return.

Elsewhere, continued USD strength and idiosyncratic risks plagued emerging markets. In particular, Turkey suffered as the Lira weakened to a new all-time low versus USD this May. This followed a warning from Fitch about the implications of political interference in monetary policy, as well as the S&P threatening another ratings downgrade. Argentina also continued to struggle. Its central bank raised benchmark interest rates three times in one week to 40% in order to defend the currency. Shortly thereafter, President Macri announced that Argentina has called on the IMF for aid. Macri stated that this was necessary to “avoid a crisis”, and have proposed to the IMF a precautionary credit line.

Finally, oil markets also saw heightened volatility. The volatility was partly driven by the U.S. quitting the Iran Accord, putting a question mark over potential changes in Iranian supply. The U.S. withdrew from the Joint Comprehensive Plan of Action for Iran and will impose previously lifted sanctions. OPEC announcements were also in focus as Russian and Saudi officials showed support to increase the output of OPEC and its allies. The planned increase would be up to 1 million barrels per day and this decision will be confirmed at the group’s Vienna meeting in late June. The output will increase from Q3 this year if approved by other OPEC members.

Investment Outlook

PIMCO expects global growth to remain positive in 2018, especially in the U.S. and Europe. We see more synchronized growth underpinning the global expansion in 2018. In addition to the Federal Reserve remaining on its path towards policy normalization, we expect other global central banks to begin shifting toward reduced monetary policy accommodation.

We remain focused on diversification and staying senior in the capital structure as the aging U.S. economic expansion continues. In this environment, the Fund will seek to pay a consistent distribution while potentially generating capital appreciation and principal protection by focusing on the best opportunities around the globe. The Fund will seek to balance higher yielding exposures with high quality duration to protect against downside risk over the cyclical horizon. With the potential for interest rates to recalibrate higher, we are focused on tactically adjusting interest exposure globally to the most attractive countries, which is currently in the U.S. and Australia. We are also allocating to securities with floating interest rates in an effort to reduce sensitivity to interest rate volatility and seek to protect principal.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018**

	Financial period ended <u>31.5.2018</u> USD	Financial period ended <u>31.5.2017</u> USD
INVESTMENT INCOME		
Dividend income	4,844,963	1,510,659
Interest income	3,893	8,276
Net gain/(loss) on foreign currency exchange	85,551	(94,886)
Net gain on forward foreign currency contracts at fair value through profit or loss	5,594,507	327,765
Net (loss)/gain on financial assets at fair value through profit or loss	(4,535,686)	1,774,683
Rebate of management fee	705,920	206,933
	<u>6,699,148</u>	<u>3,733,430</u>
EXPENSES		
Management fee	(1,889,882)	(563,358)
Trustee fee	(78,202)	(23,311)
Auditors' remuneration	(1,318)	(1,377)
Tax agent's fee	(615)	(1,593)
Other expenses	(130,966)	(43,282)
	<u>(2,100,983)</u>	<u>(632,921)</u>
NET PROFIT BEFORE FINANCE COST AND TAXATION	4,598,165	3,100,509
FINANCE COST		
Distributions	(2,633,422)	-
NET PROFIT BEFORE TAXATION	1,964,743	3,100,509
TAXATION	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>1,964,743</u>	<u>3,100,509</u>
Increase of net asset attributable to unitholders Is made up of the following:		
Realised amount	8,593,499	375,978
Unrealised amount	(6,628,756)	2,724,531
	<u>1,964,743</u>	<u>3,100,509</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018**

	<u>2018</u> USD	<u>2017</u> USD
ASSETS		
Financial assets at fair value through profit or loss	170,150,879	85,104,683
Cash and cash equivalents	4,611,200	4,509,274
Dividends receivable	-	255,757
Amount due from Manager		
- creation of units	12,092	1,833,313
Amount due from broker	3,883,222	166,448
Forward foreign currency contract at fair value through profit or loss	531,253	1,100,214
Rebate of management fee receivable	81,738	35,613
TOTAL ASSETS	<u>179,270,384</u>	<u>93,005,302</u>
LIABILITIES		
Forward foreign currency contract at fair value through profit or loss	2,331,206	145,805
Amount due to Manager		
- management fee	217,765	99,249
- cancellation of units	1,500,876	86,434
Amount due to Trustee	9,011	4,107
Amount due to broker	1,755,275	4,340,000
Auditors' remuneration	1,181	1,377
Tax agent's fee	2,600	1,593
Other payable and accruals	15,360	7,383
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>5,833,274</u>	<u>4,685,948</u>
NET ASSET VALUE OF THE FUND	<u>173,437,110</u>	<u>88,319,354</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>173,437,110</u>	<u>88,319,354</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018 (CONTINUED)**

	<u>2018</u> USD	<u>2017</u> USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Hedged-class	14,179,456	7,843,924
- EUR Hedged-class	2,396,193	-
- GBP Hedged-class	27,496,314	7,887,530
- MYR Class	5,632,425	60,676
- MYR Hedged-class	58,122,034	44,205,645
- SGD Hedged-class	22,476,616	7,122,529
- USD Class	43,134,072	21,199,050
	<u>173,437,110</u>	<u>88,319,354</u>

NUMBER OF UNITS IN CIRCULATION

- AUD Hedged-class	35,314,000	19,745,000
- EUR Hedged-class	4,152,000	-
- GBP Hedged-class	40,732,000	11,967,000
- MYR Class	44,377,000	473,000
- MYR Hedged-class	423,729,000	349,014,000
- SGD Hedged-class	58,315,000	18,825,000
- USD Class	81,592,000	39,566,000
	<u>688,211,000</u>	<u>439,590,000</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018 (CONTINUED)**

	<u>2018</u> USD	<u>2017</u> USD
REPRESENTED BY: (CONTINUED)		
NET ASSET VALUE PER UNIT (USD)		
- AUD Hedged-class	0.4015	0.3973
- EUR Hedged-class	0.5771	-
- GBP Hedged-class	0.6751	0.6591
- MYR Class	0.1269	0.1283
- MYR Hedged-class	0.1372	0.1267
- SGD Hedged-class	0.3854	0.3784
- USD Class	<u>0.5287</u>	<u>0.5358</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Hedged-class	AUD0.5295	AUD0.5336
- EUR Hedged-class	EUR0.4929	-
- GBP Hedged-class	GBP0.5065	GBP0.5158
- MYR Class	RM0.5051	RM0.5490
- MYR Hedged-class	RM0.5459	RM0.5420
- SGD Hedged-class	SGD0.5155	SGD0.5238
- USD Class	<u>USD0.5287</u>	<u>USD0.5358</u>

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018**

	Financial period ended <u>31.5.2018</u> USD	Financial period ended <u>31.5.2017</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD/ DATE OF LAUNCH	134,596,266	-
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	84,576,003	94,558,574
- AUD Hedged-class	5,449,893	11,270,802
- EUR Hedged-class	2,537,446	-
- GBP Hedged-class	13,404,411	7,786,451
- MYR Class	7,009,295	1,324,535
- MYR Hedged-class	17,367,317	45,091,633
- SGD Hedged-class	16,502,093	7,009,872
- USD Class	22,305,548	22,075,281
Creation of units arising from distributions	1,330,253	-
- AUD Hedged-class	93,633	-
- EUR Hedged-class	-	-
- GBP Hedged-class	137,439	-
- MYR Class	12,910	-
- MYR Hedged-class	495,554	-
- SGD Hedged-class	94,346	-
- USD Class	496,371	-

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018 (CONTINUED)**

	Financial period ended <u>31.5.2018</u> USD	Financial period ended <u>31.5.2017</u> USD
Cancellation of units	(49,030,155)	(9,339,729)
- AUD Hedged-class	(2,801,322)	(3,594,070)
- EUR Hedged-class	-	-
- GBP Hedged-class	(10,948,201)	(55,845)
- MYR Class	(1,612,408)	(1,284,721)
- MYR Hedged-class	(20,678,332)	(2,670,759)
- SGD Hedged-class	(3,142,552)	(179,768)
- USD Class	(9,847,340)	(1,554,566)
Net increase in net assets attributable to unitholders during the financial period	1,964,743	3,100,509
- AUD Hedged-class	(940,137)	167,208
- EUR Hedged-class	(141,253)	-
- GBP Hedged-class	333,594	156,908
- MYR Class	(65,085)	20,861
- MYR Hedged-class	4,038,492	1,784,772
- SGD Hedged-class	(252,817)	292,425
- USD Class	(1,008,051)	678,335
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>173,437,110</u>	<u>88,319,354</u>

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Affin Hwang Asset Management Berhad
(429786-T)