

Affin Hwang World Series - Global Income Fund

Quarterly Report
28 February 2018

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



AFFIN HWANG
CAPITAL

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Affin Hwang Asset Management Berhad (429786-T)

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AFFIN HWANG WORLD SERIES – GLOBAL INCOME FUND

Quarterly Report and Financial Statements
As at 28 February 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)	Distributon 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 December 2017 to 28 February 2018, the Fund – AUD hedged-class registered a loss of 0.89%. Compared to the Benchmark return of -4.52%, the Fund thus outperformed its Benchmark by 3.63%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was AUD0.5341 while the NAV per Unit as at 30 November 2017 was AUD0.5414. On total NAV basis, the Fund's NAV stood at AUD19.799 million as at 28 February 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 December 2017 to 28 February 2018, the Fund – GBP hedged-class registered a loss of 1.00%. Compared to the Benchmark return of -3.61%, the Fund thus outperformed its Benchmark by 2.61%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was GBP0.5129 while the NAV per Unit as at 30 November 2017 was GBP0.5206. On total NAV basis, the Fund's NAV stood at GBP23.728 million as at 28 February 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 December 2017 to 28 February 2017, the Fund – MYR class registered a loss of 5.04%. Compared to the Benchmark return of -5.70%, the Fund thus outperformed its Benchmark by 0.66%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was RM0.5004 while the NAV per Unit as at 30 November 2017 was RM0.5321. On total NAV basis, the Fund's NAV stood at RM4.608 million as at 28 February 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 December 2017 to 28 February 2018, the Fund – MYR hedged-class registered a loss of 0.53%. Compared to the Benchmark return of -5.70%, the Fund thus outperformed its Benchmark by 5.17%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was RM0.5490 while the NAV per Unit as at 30 November 2017 was RM0.5544. On total NAV basis, the Fund's NAV stood at RM256.232 million as at 28 February 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 December 2017 to 28 February 2018, the Fund – SGD hedged-class registered a loss of 0.99%. Compared to the Benchmark return of -3.51%, the Fund thus outperformed its Benchmark by 2.52%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was SGD0.5216 while the NAV per Unit as at 30 November 2017 was SGD0.5293. On total NAV basis, the Fund's NAV stood at SGD31.523 million as at 28 February 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 December 2017 to 28 February 2018, the Fund – USD class registered a loss of 0.81%. Compared to the Benchmark return of -1.64%, the Fund thus outperformed its Benchmark by 0.83%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was USD0.5340 while the NAV per Unit as at 30 November 2017 was USD0.5434. On total NAV basis, the Fund's NAV stood at USD43.586 million as at 28 February 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 21 February 2018 to 28 February 2018, the Fund – EUR hedged-class registered a return of 0.34%. Compared to the Benchmark return of 1.34%, the Fund thus underperformed its Benchmark by 1.00%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2018 was EUR0.5017 while the NAV per Unit as at 20 February 2018 was EUR0.5000. On total NAV basis, the Fund's NAV stood at EUR 8,529.70 as at 28 February 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 28 February 2018

AUD hedged-class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (13/6/16 - 28/2/18)
Fund	(0.89%)	(0.06%)	3.58%	8.02%
Benchmark	(4.52%)	(0.46%)	(0.95%)	(5.58%)
Outperformance	3.63%	0.40%	4.53%	13.60%

GBP hedged-class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (2/9/16 - 28/2/18)
Fund	(1.00%)	(0.64%)	2.22%	3.77%
Benchmark	(3.61%)	(8.50%)	(9.47%)	(5.31%)
Outperformance / (Underperformance)	2.61%	7.86%	11.69%	9.08%

MYR class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (2/9/16 - 28/2/18)
Fund	(5.04%)	(8.42%)	(8.95%)	1.71%
Benchmark	(5.70%)	(10.14%)	(11.20%)	(5.66%)
Outperformance	0.66%	1.72%	2.25%	7.37%

MYR hedged-class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (13/6/16 - 28/2/18)
Fund	(0.53%)	0.51%	4.59%	10.80%
Benchmark	(5.70%)	(10.14%)	(11.20%)	(4.17%)
Outperformance	5.17%	10.65%	15.79%	14.97%

SGD hedged-class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (13/6/16 - 28/2/18)
Fund	(0.99%)	(0.42%)	2.62%	5.51%
Benchmark	(3.51%)	(4.64%)	(4.93%)	(2.96%)
Outperformance	2.52%	4.22%	7.55%	8.47%

USD class

	3 Months (1/12/17 - 28/2/18)	6 Months (1/9/17 - 28/2/18)	1 Year (1/3/17 - 28/2/18)	Since Commencement (13/6/16 - 28/2/18)
Fund	(0.81%)	(0.10%)	3.27%	8.50%
Benchmark	(1.64%)	(2.18%)	0.51%	(0.40%)
Outperformance / (Underperformance)	0.83%	2.08%	2.76%	8.90%

EUR hedged-class

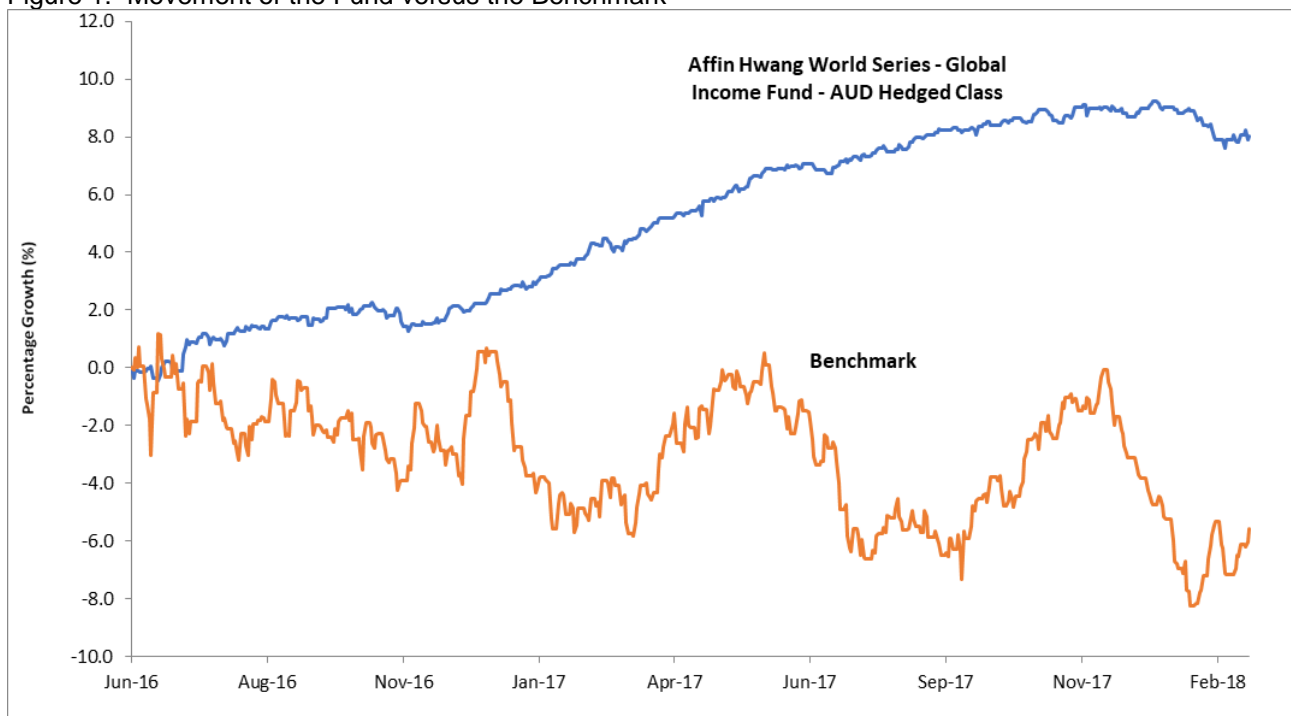
	Since Commencement (21/2/18 - 28/2/18)
Fund	0.34%
Benchmark	1.34%
Outperformance / (Underperformance)	(1.00%)

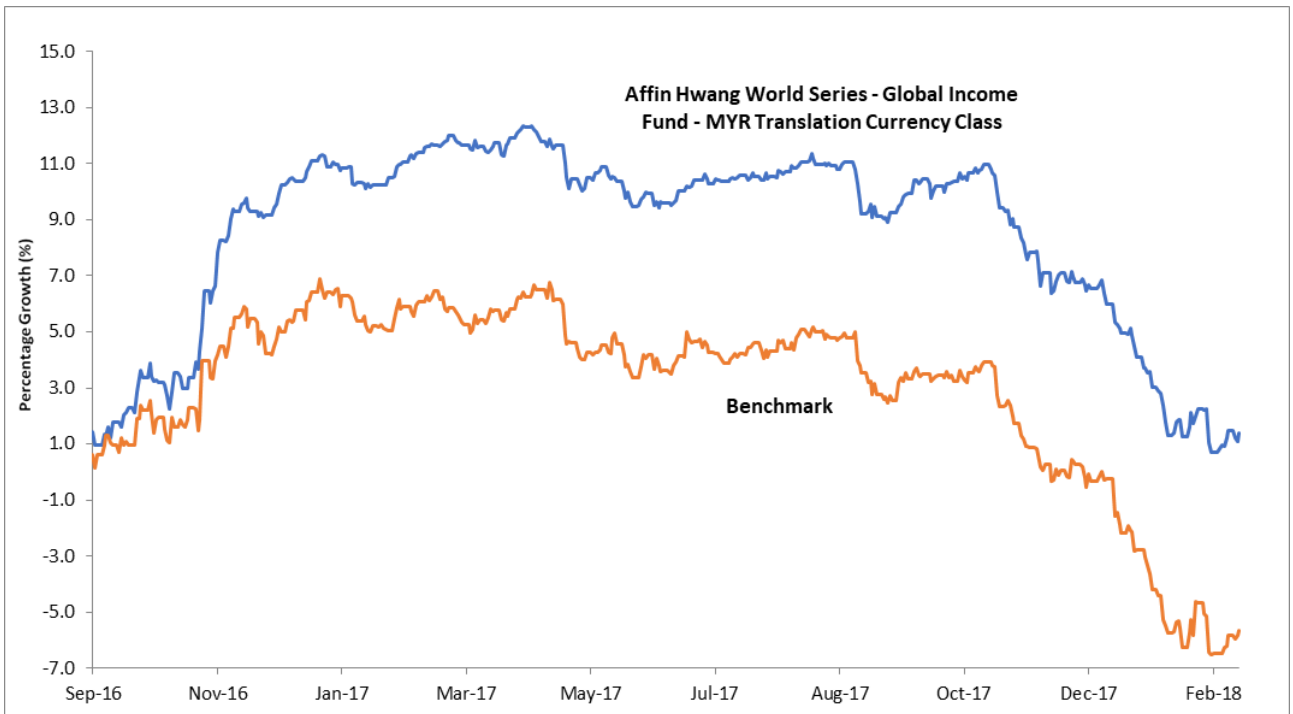
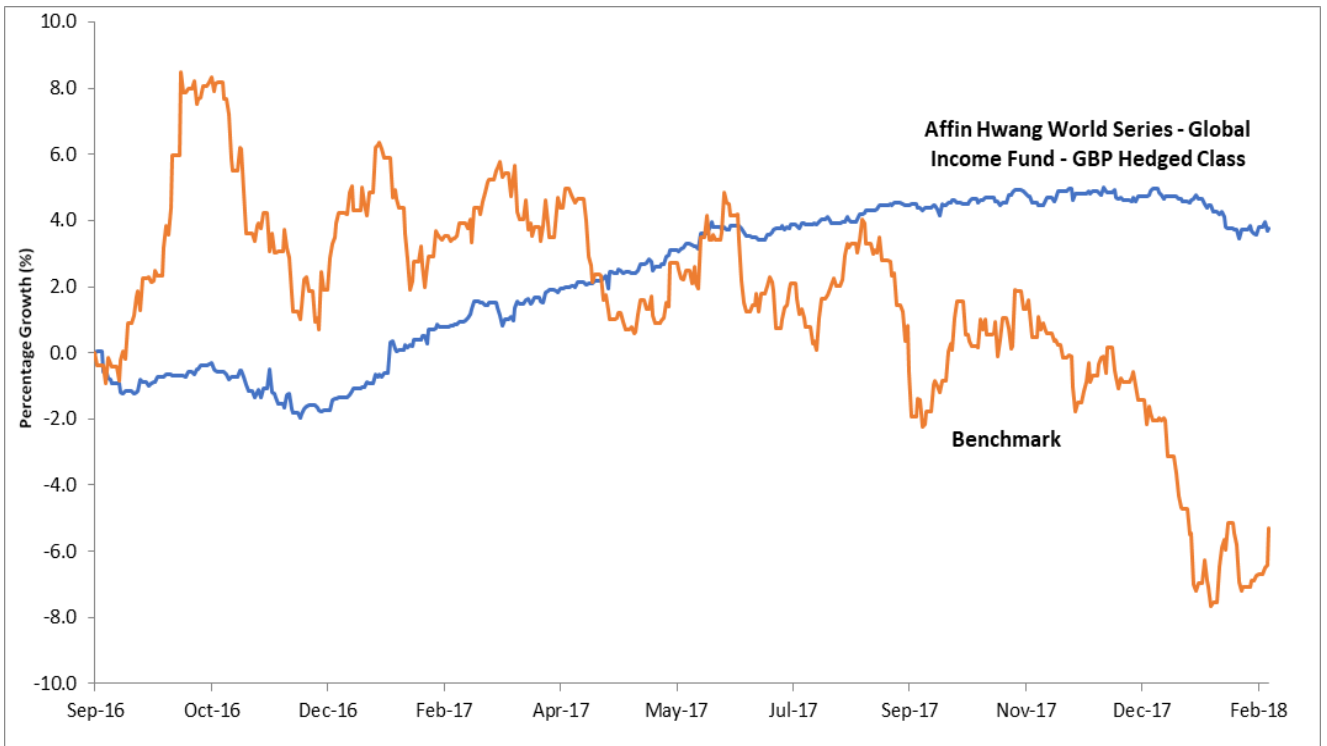
Table 2: Volatility as at 28 February 2018

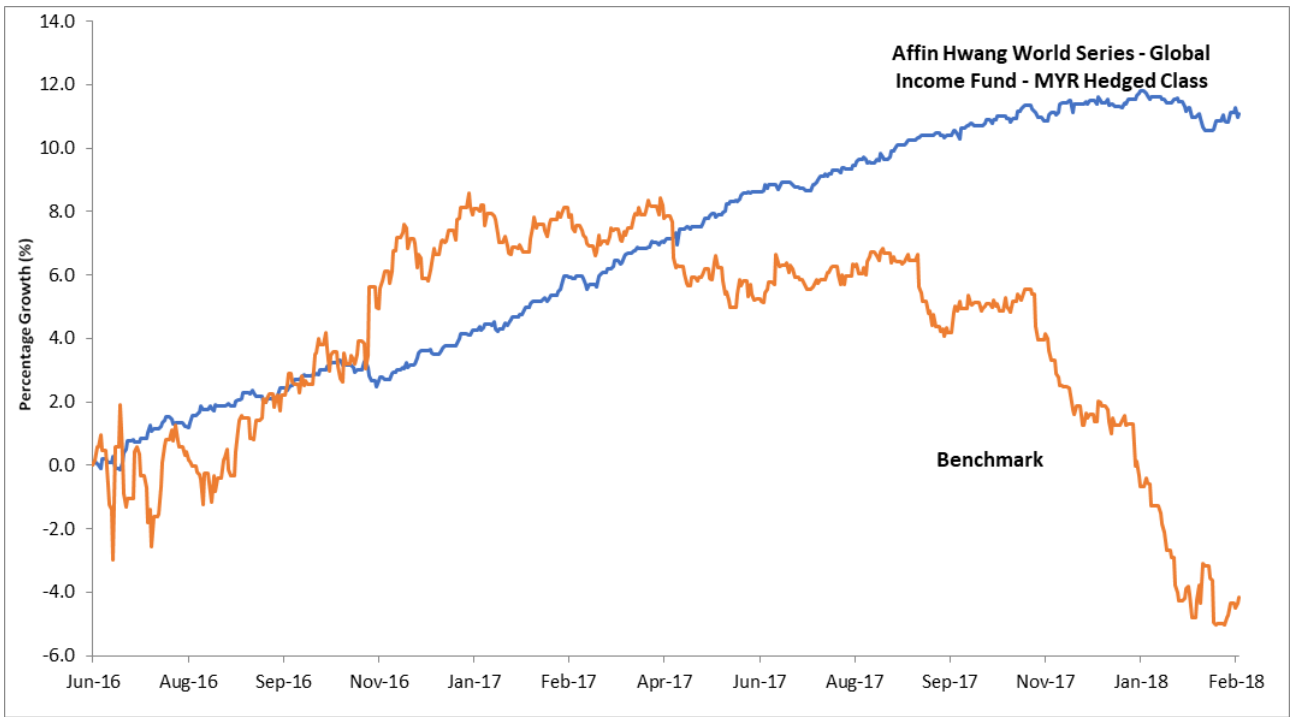
	3 Year
Fund	N/A

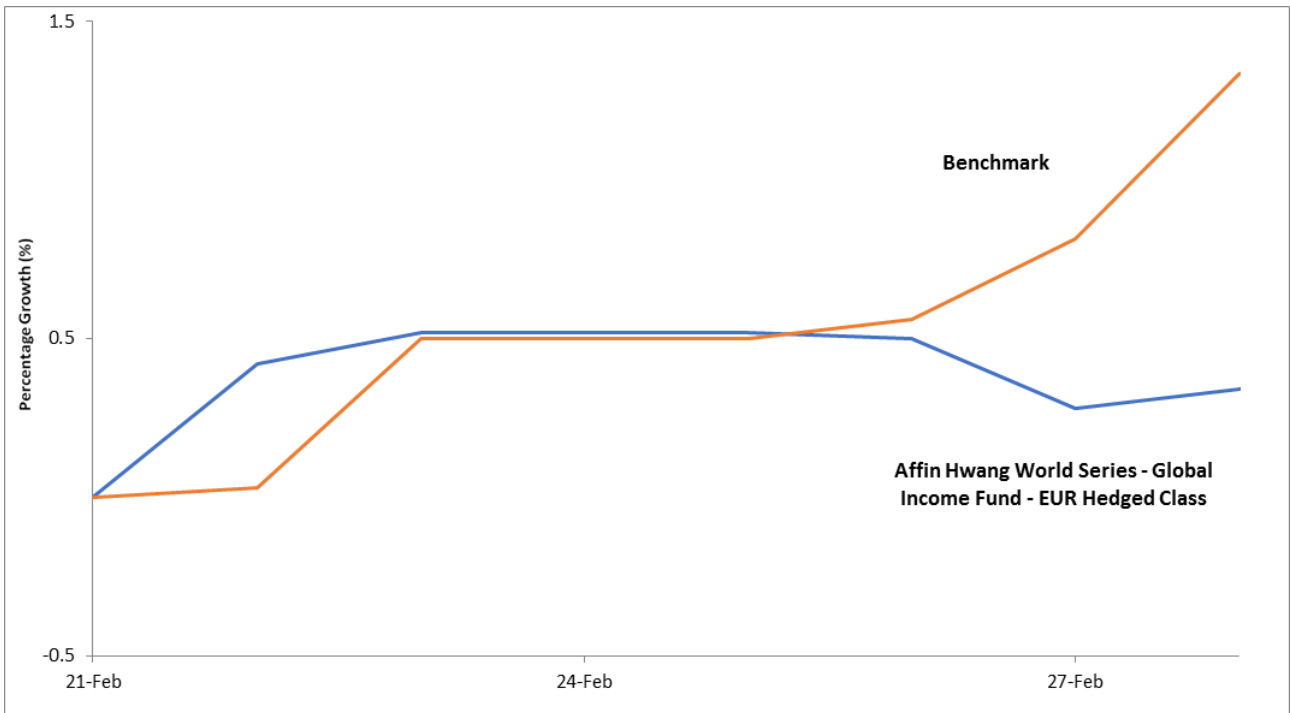
The data for 3-year annualized volatility as at 28 February 2018 is not available as the Fund has yet to record 3-years of performance data. 3-year annualized volatility is a global standard used to report on Fund volatility as shorter time period would not provide a stable representation as well as 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 Nov 2017	31 Nov 2017	31 Aug 2017
	(%)	(%)	(%)
Collective investment scheme	97.43	99.92	98.22
Cash	2.57	0.08	1.78
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

After an unusually calm 2017, volatility rose sharply in February. U.S. equities snapped a 15 month positive return streak as market volatility spiked; in fact, the VIX had its largest one day move in history. Contributors to the global equity sell-off included a continued rise in bond yields, spurred by concerns over higher inflation and expectations for higher Treasury supply. However, risk assets partially recovered from lows as the fundamental backdrop remained solid. Still, equities ended the month lower, U.S. rates higher (though rate movements were more mixed internationally), credit spreads wider, and the dollar stronger. While market movements dominated headlines, other notable events included central bank appointments (BOJ Governor Kuroda re-appointed, new Fed Chair Powell sworn-in), and political developments (more federal spending approved in the U.S., a coalition government formed in Germany).

Against this backdrop, the higher quality segment of the portfolio was the primary driver of negative performance for the month as U.S. and Japanese interest rate exposure detracted.

The higher yielding segment of the portfolio also detracted over the month. The Fund's holdings of securitized debt, primarily in non-Agency MBS, contributed to performance as U.S. housing fundamentals remained strong. However, exposures to select high yield and investment grade corporates detracted over the month. Currency positioning was also negative for performance as exposure to a basket of emerging market currencies and a long U.S. dollar bias versus the Japanese yen detracted.

Investment Outlook

PIMCO expects global growth to remain positive in 2018, especially in the U.S. and Europe. However, there will be differences in growth dynamics among countries. The Federal Reserve is on its path towards policy normalization while the European Central Bank and Bank of Japan may begin gradually removing monetary accommodations.

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 28 FEBRUARY 2018**

	Financial period ended <u>28.2.2018</u> USD	Financial period ended <u>28.2.2017</u> USD
INVESTMENT INCOME		
Dividend income	3,129,451	826,545
Interest income	2,155	7,159
Net gain/(loss) on foreign currency exchange	59,939	(95,546)
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	8,764,350	(1,198,909)
Net (loss)/gain on financial assets at fair value through profit or loss	(2,748,585)	822,436
Rebates of management fee	454,848	107,370
	<u>9,662,158</u>	<u>469,055</u>
EXPENSES		
Management fee	(1,216,628)	(305,587)
Trustee fee	(50,343)	(12,645)
Auditors' remuneration	(874)	(1,038)
Tax agent's fee	(408)	(1,201)
Other expenses	(83,567)	(24,843)
	<u>(1,351,820)</u>	<u>(345,314)</u>
PROFIT BEFORE FINANCE COST AND TAXATION	8,310,338	123,741
FINANCE COST		
Distributions	(1,677,471)	-
PROFIT BEFORE TAXATION	6,632,867	123,741
Taxation	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>6,632,867</u>	<u>123,741</u>
Net profit after taxation and total comprehensive loss comprise the following:		
Realised amount	5,003,190	(964,259)
Unrealised amount	1,629,677	1,088,000
	<u>6,632,867</u>	<u>123,741</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2018**

	<u>2018</u> USD	<u>2017</u> USD
ASSETS		
Financial assets at fair value through profit or loss	177,851,078	55,052,436
Cash and cash equivalents	9,350,259	2,948,459
Dividends receivable	-	169,799
Amount due from Manager		
- creation of units	213,798	889,297
Amount due from broker	22,839	50,666
Forward foreign currency contract at fair value through profit or loss	4,871,067	283,124
Rebate of management fee receivable	72,953	21,637
TOTAL ASSETS	<u>192,381,994</u>	<u>59,415,418</u>
LIABILITIES		
Forward foreign currency contract at fair value through profit or loss	183,778	17,919
Amount due to Manager		
- management fee	200,855	60,306
- cancellation of units	2,035,139	-
Amount due to Trustee	8,311	2,495
Amount due to brokers	7,400,000	2,180,000
Auditors' remuneration	705	1,038
Tax agent's fee	2,393	1,201
Other payable and accruals	13,937	4,660
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>9,845,118</u>	<u>2,267,619</u>
NET ASSET VALUE OF THE FUND	<u>182,536,876</u>	<u>57,147,799</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>182,536,876</u>	<u>57,147,799</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2018 (CONTINUED)**

	<u>2018</u> USD	<u>2017</u> USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD HEDGED-CLASS	15,472,761	4,026,231
- GBP HEDGED-CLASS	33,013,732	1,876,827
- MYR CLASS	1,177,163	524,428
- MYR HEDGED-CLASS	65,448,776	31,541,981
- SGD HEDGED-CLASS	23,828,263	5,038,917
- USD CLASS	43,585,751	14,139,415
- EUR HEDGED-CLASS	10,430	-
	<u>182,536,876</u>	<u>57,147,799</u>
NUMBER OF UNITS IN CIRCULATION		
- AUD HEDGED-CLASS	37,069,000	10,061,000
- GBP HEDGED-CLASS	46,265,000	2,974,000
- MYR CLASS	9,210,000	4,169,000
- MYR HEDGED-CLASS	466,708,000	264,342,000
- SGD HEDGED-CLASS	60,442,000	13,746,000
- USD CLASS	81,626,000	26,918,000
- EUR HEDGED-CLASS	17,000	-
	<u>701,337,000</u>	<u>322,210,000</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2018 (CONTINUED)**

	<u>2018</u> USD	<u>2017</u> USD
REPRESENTED BY: (CONTINUED)		
NET ASSET VALUE PER UNIT (USD)		
- AUD HEDGED-CLASS	0.4174	0.4002
- GBP HEDGED-CLASS	0.7136	0.6311
- MYR CLASS	0.1278	0.1258
- MYR HEDGED-CLASS	0.1402	0.1193
- SGD HEDGED-CLASS	0.3943	0.3666
- USD CLASS	0.5340	0.5253
- EUR HEDGED-CLASS	0.6135	-
	<u> </u>	<u> </u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD HEDGED-CLASS	AUD0.5341	AUD0.5214
- GBP HEDGED-CLASS	GBP0.5129	GBP0.5076
- MYR CLASS	RM0.5004	RM0.5585
- MYR HEDGED-CLASS	RM0.5490	RM0.5297
- SGD HEDGED-CLASS	SGD0.5216	SGD0.5141
- USD CLASS	USD0.5340	USD0.5253
- EUR HEDGED-CLASS	EUR0.5017	-
	<u> </u>	<u> </u>

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2018**

	Financial period ended <u>28.2.2018</u> USD	Financial period ended <u>28.2.2017</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	67,580,301	63,712,150
- AUD HEDGED-CLASS	4,784,735	7,254,984
- GBP HEDGED CLASS	12,627,066	1,857,026
- MYR CLASS	2,117,825	1,318,805
- MYR HEDGED-CLASS	15,052,998	33,903,258
- SGD HEDGED-CLASS	15,839,489	5,132,057
- USD CLASS	17,147,691	14,246,020
- EUR HEDGED-CLASS	10,497	-
Cancellation of units	(26,272,558)	(6,688,092)
- AUD HEDGED-CLASS	(1,336,273)	(3,427,187)
- GBP HEDGED CLASS	(6,079,077)	(8,787)
- MYR CLASS	(1,208,578)	(808,685)
- MYR HEDGED-CLASS	(11,896,480)	(1,833,545)
- SGD HEDGED-CLASS	(1,560,519)	(179,768)
- USD CLASS	(4,191,631)	(430,120)
- EUR HEDGED-CLASS	-	-

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2018 (CONTINUED)**

	Financial period ended <u>28.2.2018</u> USD	Financial period ended <u>28.2.2017</u> USD
Net increase in net assets attributable to unitholders during the financial period	6,632,867	123,741
- AUD HEDGED-CLASS	(353,090)	198,449
- GBP HEDGED CLASS	1,896,672	28,572
- MYR CLASS	(19,797)	14,308
- MYR HEDGED-CLASS	5,393,257	(527,731)
- SGD HEDGED-CLASS	273,746	86,628
- USD CLASS	(557,854)	323,515
- EUR HEDGED-CLASS	(67)	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>182,536,876</u></u>	<u><u>57,147,799</u></u>

www.affinhwangam.com

Affin Hwang Asset Management Berhad
(429786-T)