

Affin Hwang World Series - Global Target Return Fund

Quarterly Report
28 February 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG WORLD SERIES – GLOBAL TARGET RETURN FUND

Quarterly Report and Financial Statements As at 28 February 2019

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Target Return Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period
Benchmark	USD LIBOR 3 Months
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

Performance Review

USD Class

For the period under review from 1 December 2018 to 28 February 2019, the Fund – USD class registered a return of 1.95%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 1.28%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was USD0.4965 while the NAV per Unit as at 30 November 2018 was USD0.4870. On total NAV basis, the Fund's NAV stood at USD1.268 million as at 28 February 2019 (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 2018 to 28 February 2019, the Fund – MYR-hedged class registered a return of 1.93%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 1.26%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was RM0.5014 while the NAV per Unit as at 30 November 2018 was RM0.4919. On total NAV basis, the Fund's NAV stood at RM13.864 million as at 28 February 2019 (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 2018 to 28 February 2019, the Fund – SGD-hedged class registered a return of 1.65%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 0.98%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was SGD0.4875 while the NAV per Unit as at 30 November 2018 was SGD0.4796. On total NAV basis, the Fund's NAV stood at SGD1.510 million as at 28 February 2019 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

AUD-Hedged class

For the period under review from 1 December 2018 to 28 February 2019, the Fund – AUD-hedged class registered a return of 1.61%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 0.94%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was AUD0.4924 while the NAV per Unit as at 30 November 2018 was AUD0.4846. On total NAV basis, the Fund's NAV stood at AUD1.217 million as at 28 February 2019 (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 2018 to 28 February 2019, the Fund – GBP-hedged class registered a return of 1.62%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 0.95%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was

GBP0.4902 while the NAV per Unit as at 30 November 2018 was GBP0.4824. On total NAV basis, the Fund's NAV stood at GBP0.340 million as at 28 February 2019 (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 December 2018 to 28 February 2019, the Fund – EUR-hedged class registered a return of 1.41%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 0.74%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was EUR0.4758 while the NAV per Unit as at 30 November 2018 was EUR0.4692. On total NAV basis, the Fund's NAV stood at EUR 0.080 million as at 28 February 2019 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

RMB-Hedged class

For the period under review from 1 December 2018 to 28 February 2019, the Fund – RMB-hedged class registered a return of 2.09%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 1.42%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was RMB0.4990 while the NAV per Unit as at 30 November 2018 was RMB0.4888. On total NAV basis, the Fund's NAV stood at RMB0.188 million as at 28 February 2019 (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

HKD-Hedged class

For the period under review from 1 December 2018 to 28 February 2019, the Fund – HKD-hedged class registered a return of 1.78%. Compared to the Benchmark return of 0.67%, the Fund thus outperformed its Benchmark by 1.11%. The Net Asset Value (NAV) per Unit of the Fund as at 28 February 2019 was HKD0.4872 while the NAV per Unit as at 30 November 2018 was HKD0.4787. On total NAV basis, the Fund's NAV stood at HKD0.477 million as at 28 February 2019 (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 2019

USD Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.95%	(0.14%)	(0.70%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	1.28%	(1.43%)	(2.69%)

MYR-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.93%	0.02%	0.28%
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	1.26%	(1.27%)	(1.71%)

SGD-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
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Fund	1.65%	(1.18%)	(2.50%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	0.98%	(2.47%)	(4.49%)

AUD-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.61%	(1.05%)	(1.52%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	0.94%	(2.34%)	(3.51%)

GBP-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.62%	(1.66%)	(1.96%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	0.95%	(2.95%)	(3.95%)

EUR-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.41%	(2.78%)	(4.84%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	0.74%	(4.07%)	(6.83%)

RMB-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	2.09%	(0.12%)	(0.20%)
Benchmark	0.67%	1.29%	1.99%
Outperformance / (Underperformance)	1.42%	(1.41%)	(2.19%)

HKD-Hedged Class

	3 Months (1/12/18 - 28/2/19)	6 Months (1/9/18 - 28/2/19)	Since Commencement (14/5/18 - 28/2/19)
Fund	1.78%	(1.32%)	(2.56%)
Benchmark	0.67%	1.29%	1.99%

Outperformance / (Underperformance)	1.11%	(2.61%)	(4.55%)
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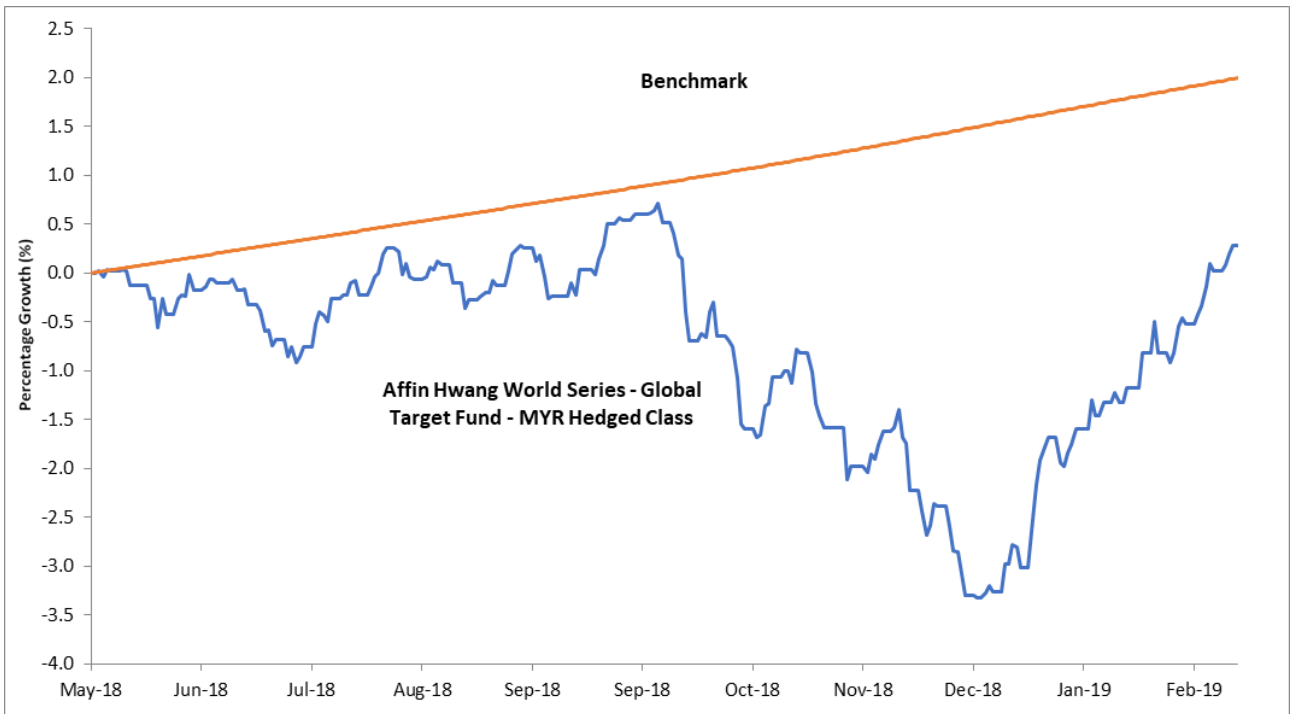
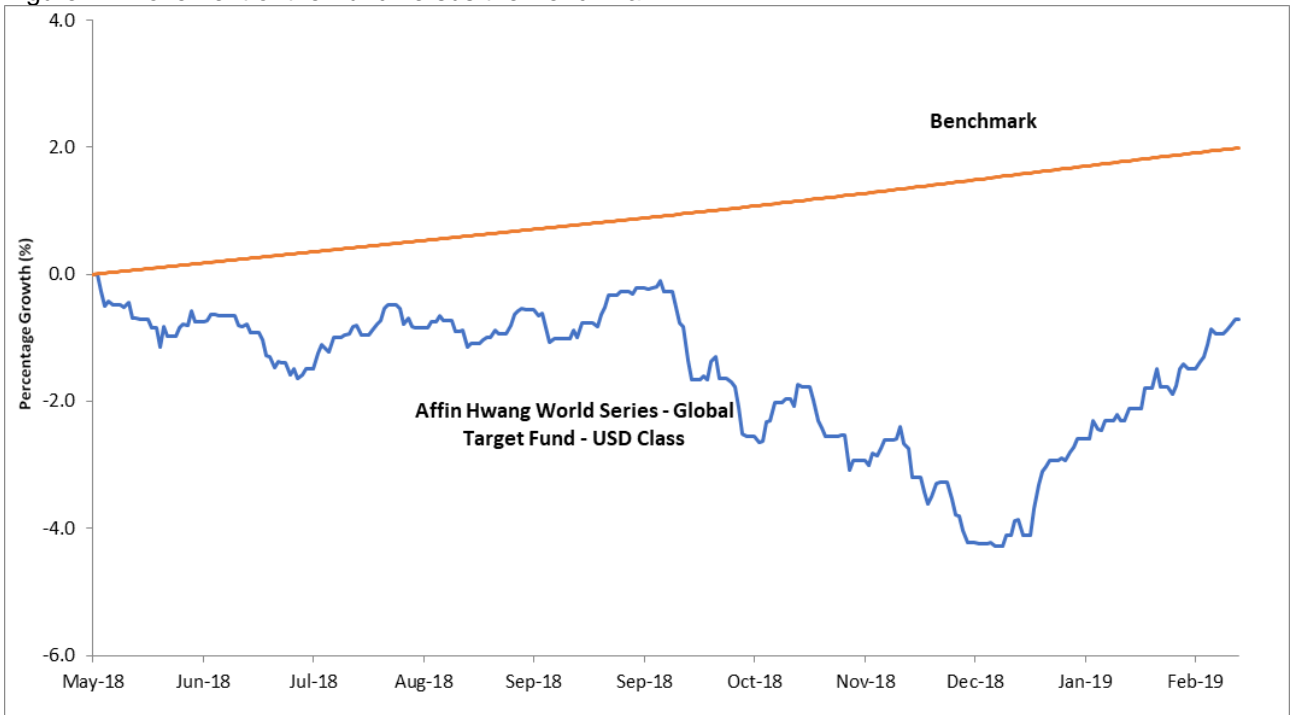
Table 2: Volatility as at 28 February 2019

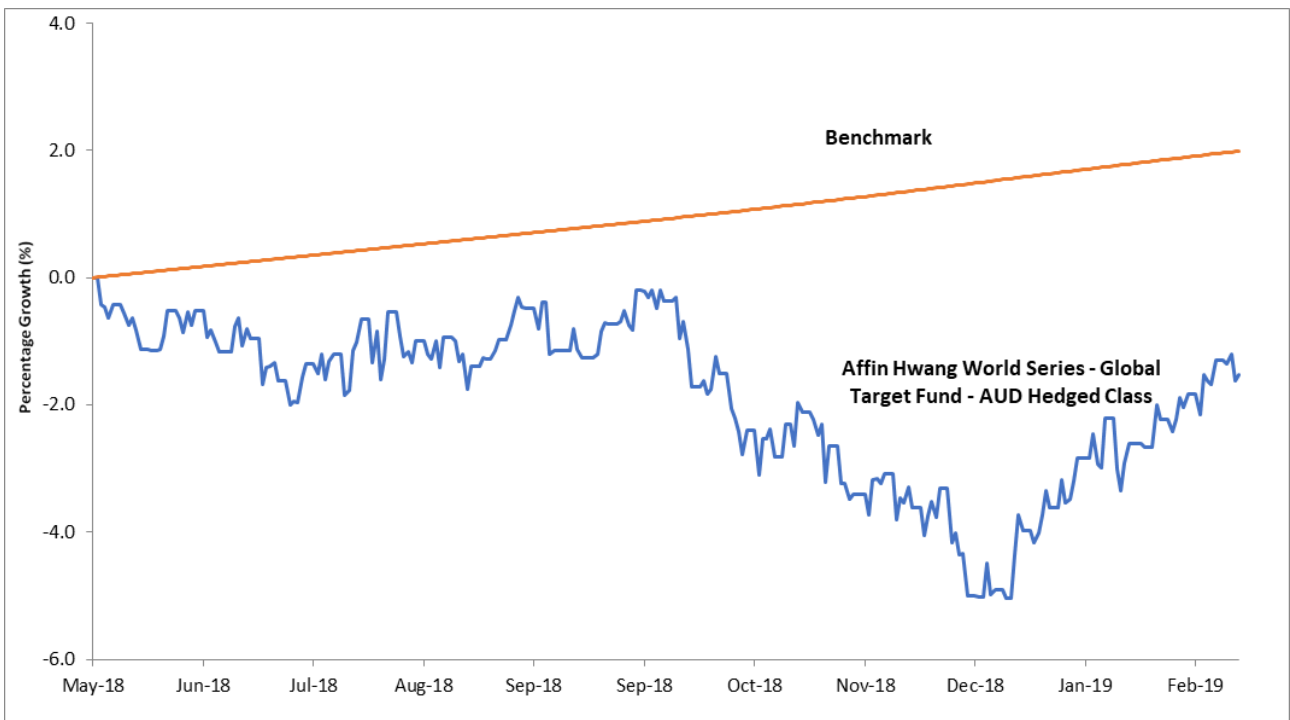
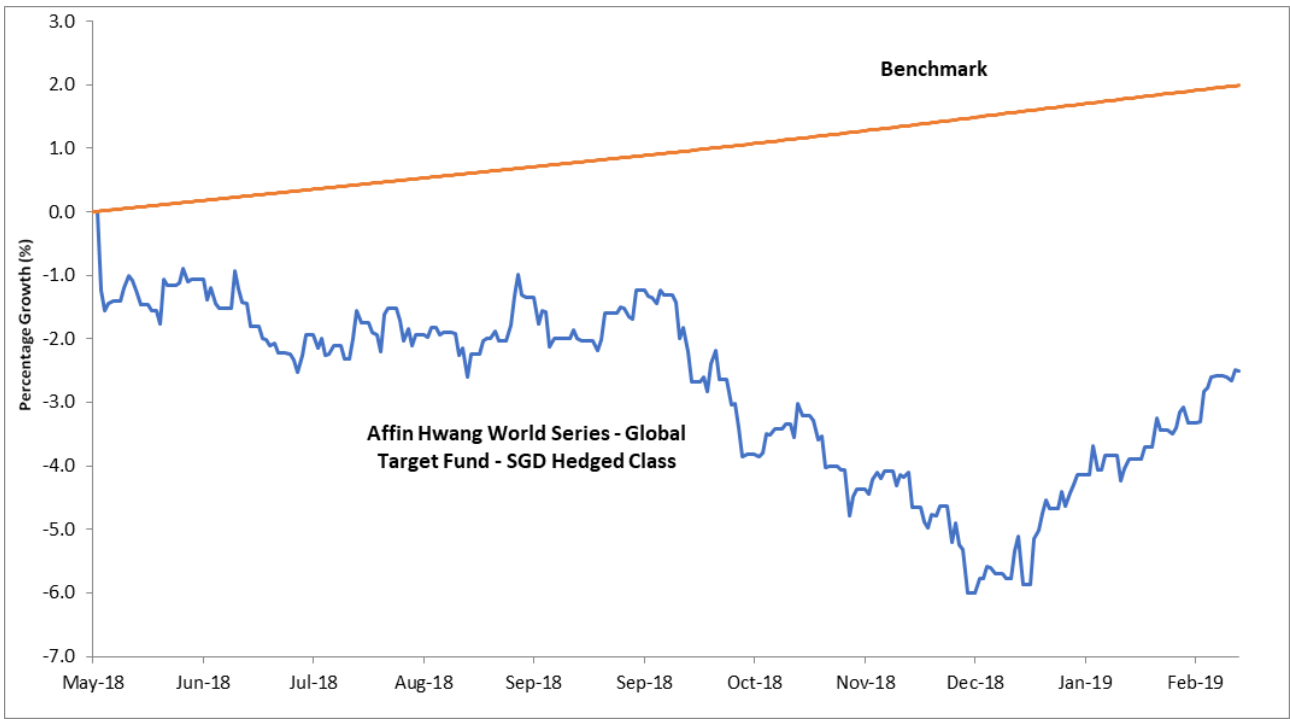
	3 Year							
Classes	USD	MYR- Hedge	SGD- Hedge	AUD- Hedge	GBP- Hedge	EUR- Hedge	RMB- Hedge	HKD- Hedge
Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

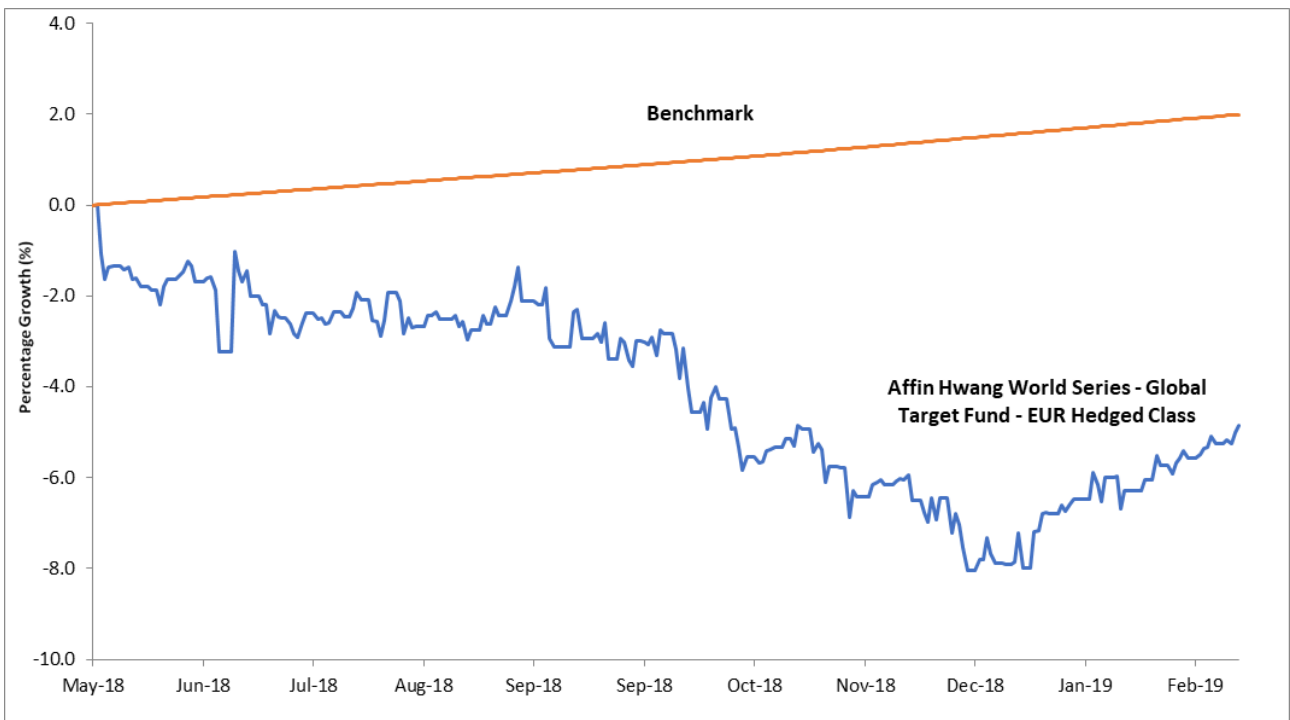
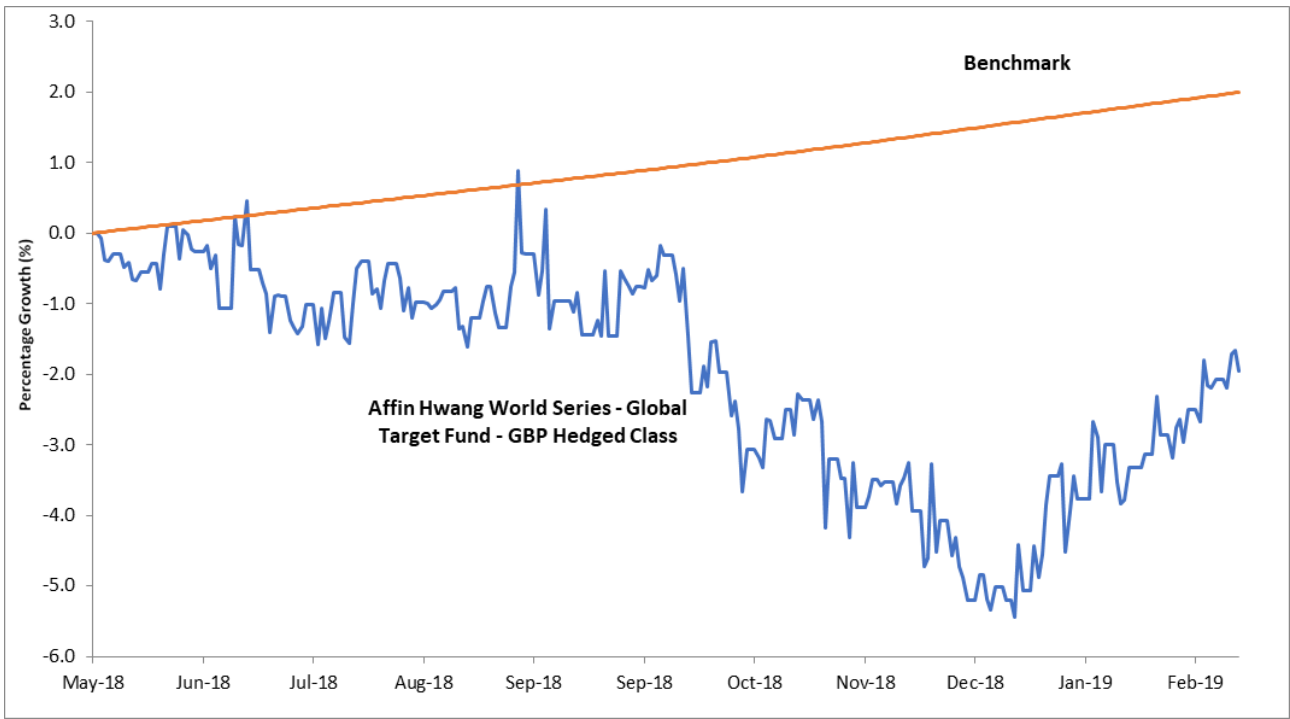
The data for 3-year annualized volatility as at 28 February 2019 is not available as the Fund has yet to record 3-years of performance data. 3-year annualized volatility is a global standard used to report on Fund volatility as shorter time period would not provide a stable representation as well as being too sensitive to additional data points.

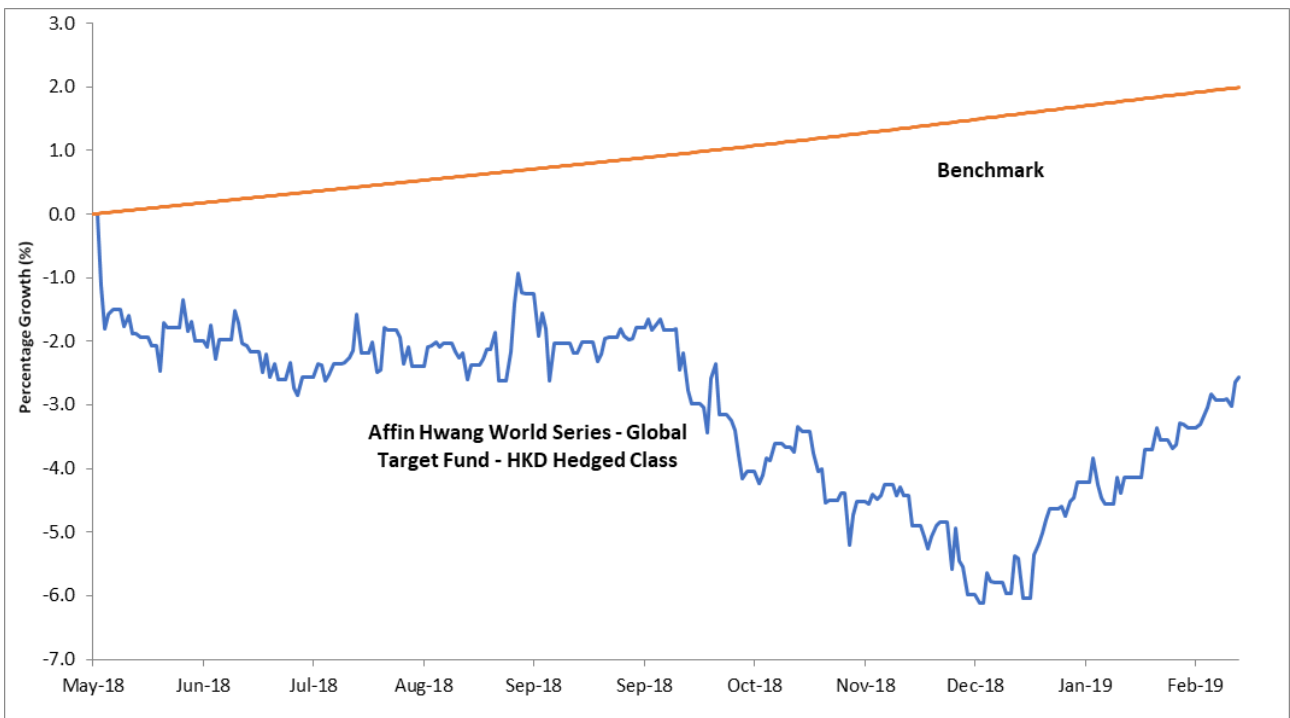
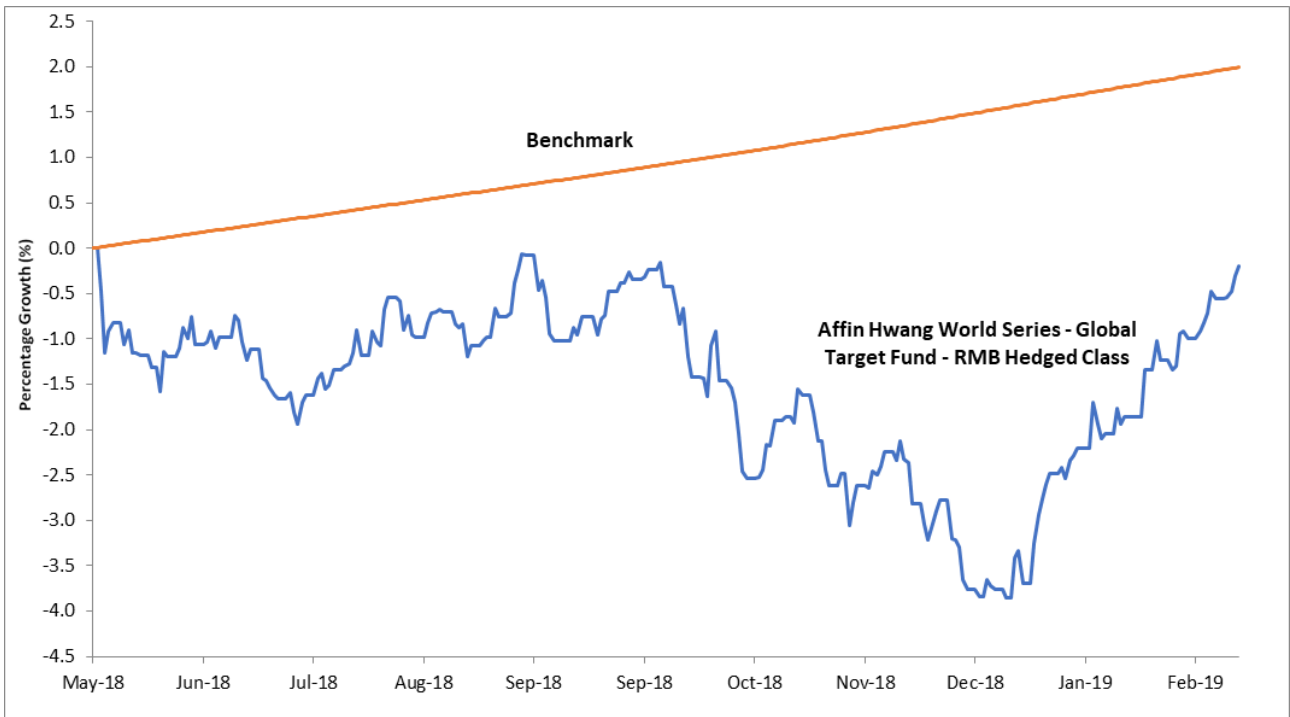
(Volatility is a number calculated based on methodology endorsed and relating to the sensitivity of the portfolio return of a fund to changes in the market conditions and the general economy. It is also based on an evaluation of a specific set of quantitative factors involving the performance of the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

Benchmark: USD LIBOR 3 Months

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

	28 Feb 2019	30 Nov 2018	31 Aug 2018
	(%)	(%)	(%)
Equities	95.35	95.28	95.27

Derivatives	1.26	(0.24)	(0.43)
Cash & Cash equivalent	3.39	4.96	5.16
Total	100.00	100.00	100.00

Strategies Employed

While we have been adding to risk we have continued to be positioned on the cautious side, noting recently that there was a high risk that volatility would return. However, the start of 2019 has been one-way traffic with strong returns to risk assets and a continued fall in volatility. This market behaviour definitely raises questions about our outlook and therefore I would like to cover where we are in our thinking and how we are managing the portfolio in the current uncertain environment.

Halfway through last year we began to become concerned around the direction of the trade dispute between the US and China. We made three points: first, the market was underestimating the political momentum for an escalation, given President Trump's need to motivate his base to vote in the mid-term elections. Second, the economic impact would be greater than expected; while we didn't disagree with the medium-term impacts being modest, we thought the short-term impact would be more acute, due to the impact on corporate confidence from the increase in uncertainty and impact of re-jigging supply lines. Lastly, we concluded that the likely outcome was a 'riot' by equity markets as this is what is generally required to short circuit negative political momentum. In response to this view we cut our equity exposure in July, adding duration at the same time. In November we also increased the defensiveness of the fund by adding to our Japanese Yen exposure and adding further duration to the fund.

Given our broader view that a US recession was not in the time frame that generally concerns markets, we saw any market riot as an opportunity to add equity to the fund, on a tactical basis. However, while markets rioted as we expected, we only modestly upped our equity exposure, adding some equities and emerging markets late December/early January and buying equity call options in early February. This reflected the view that volatility was likely to continue

Market Review

After the market correction in December, markets continued their rebound in January and February in spite of mixed economic data and slower corporate earnings growth. One positive during the period was the progress in trade talks between the US and China, as a previous March 1 deadline to increase tariffs on Chinese goods was postponed by President Trump. The US Federal Reserve (Fed) raised the prospect of targeting an average level of inflation over a cycle, which would allow for shorter-term overshoots above its 2% target. In the UK, Theresa May's Brexit proposal was defeated in parliament as a number of conservative MPs abstained from the vote, with another round of voting set to take place during March. Nevertheless, the increased prospect of a delay to Brexit should no deal be reached saw the pound rally during February.

Global equities rose in February, returning over 3% in local currency terms, while emerging markets posted a modest rise of 0.2% over the month. The standout market globally was China, while the A share market fell almost 24% through 2018 it has since rallied over 20% in the new year. There was divergence in global government bond yields, with 10-year yields in the US jumping by 0.09% to end the month at 2.72%. Elsewhere, German yields rose by 0.03%, while Japanese yields fell by -0.03%. Credit market spreads continued to tighten, with the most noticeable movement in high yield which compressed by approximately 50bps over the month.

Investment Outlook

After a difficult end to 2018, equity markets bounced strongly so far this year. The stand out performer being the Chinese equity market with a three month return of almost +16% supported by the positive momentum in the trade talks and policy easing. The strong January and February allowed most other developed markets to recover losses from December with the S&P500 returning +1% and the MSCI World index +2% over the three months period.

We still struggle with US equity valuations and our return forecasts remain close to 0% over our three-year horizon. We have a more constructive view on Asian and Japanese equities where valuations remain the most attractive in our framework. Emerging markets are starting to look a little more interesting, but we would

prefer to see more evidence of capitulation (and more attractive valuations) and/or confidence in a peak in the USD before buying.

Sovereign yields moved lower in the US over the three months to February as the Fed's more dovish tone and softer macro data (particularly on the production side of the economy) saw yields decline across the curve. While market consensus is that the Fed has stopped its rate hiking cycle we still believe that another Fed hike or two could still eventuate before the tightening cycle is over. After a bad December, credit bounced back during January and February through a combination of both lower sovereign yields and tighter credit spreads (consistent with the rebound in risk assets over this period). We locked in some of this performance by trimming our high yield exposure and continue to view the credit market as expensive.

Over the three months to February 2019 there was considerable currency volatility relative to the USD. The GBP continued to rally as the likelihood of a delay to Brexit seems increasingly likely; nevertheless it remains well below its longer run fair value. We maintain a small position in GBP on valuation grounds but are reluctant to increase this position as a potentially hard Brexit remains a real possibility. The AUD weakened in light of the Reserve Bank of Australia moving to a neutral stance on monetary policy and the yield spread between Australian and US 10-year bonds moving to their most negative level since the early 1980s.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

	Financial period ended <u>28.02.2019</u> USD
INVESTMENT LOSS	
Interest income	31
Net loss on foreign currency exchange	(14,779)
Net loss on forward foreign currency contracts at fair value through profit or loss	(99,131)
Net gain on financial assets at fair value through profit or loss	43,387
	<hr style="width: 100%; border: 0.5px solid black;"/> (70,492) <hr style="width: 100%; border: 0.5px solid black;"/>
EXPENSES	
Management fee	(13,648)
Trustee fee	(2,003)
Auditors' remuneration	(1,523)
Tax agent's fee	(856)
Other expenses	(6,584)
	<hr style="width: 100%; border: 0.5px solid black;"/> (24,614) <hr style="width: 100%; border: 0.5px solid black;"/>
NET LOSS BEFORE TAXATION	(95,106)
Taxation	-
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DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER	(95,106)
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Decrease of net asset attributable to unitholders is made up of the following:	
Realised amount	(232,214)
Unrealised amount	137,108
	<hr style="width: 100%; border: 0.5px solid black;"/> (95,106) <hr style="width: 100%; border: 0.5px solid black;"/>

**STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019**

2019
USD

ASSETS

Financial assets at fair value through profit or loss	6,960,933
Cash and cash equivalents	227,708
Amount due from Manager	
- creation of units	24,799
Forward foreign currency contracts at fair value through profit or loss	99,281
TOTAL ASSETS	<u>7,312,721</u>

LIABILITIES

Forward foreign currency contracts at fair value through profit or loss	7,014
Amount due to Manager	
- management fee	1,739
Amount due to Trustee	223
Auditors' remuneration	1,523
Tax agent's fee	856
Other payable and accruals	571
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	<u>11,926</u>

NET ASSET VALUE OF THE FUND 7,300,795

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS 7,300,795

REPRESENTED BY:

FAIR VALUE OF OUTSTANDING UNITS

- AUD-Hedged Class	869,689
- EUR-Hedged Class	91,029
- GBP-Hedged Class	452,809
- HKD-Hedged Class	60,757
- MYR-Hedged Class	3,410,586
- RMB-Hedged Class	28,022
- SGD-Hedged Class	1,120,251
- USD Class	1,267,652
	<u>7,300,795</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019 (CONTINUED)**

2019
USD

REPRESENTED BY (CONTINUED):

NUMBER OF UNITS IN CIRCULATION

- AUD-Hedged Class	2,472,000
- EUR-Hedged Class	168,000
- GBP-Hedged Class	694,000
- HKD-Hedged Class	979,000
- MYR-Hedged Class	27,648,000
- RMB-Hedged Class	376,000
- SGD-Hedged Class	3,097,000
- USD Class	2,553,000
	<hr/>
	37,987,000
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NET ASSET VALUE PER UNIT (USD)

- AUD-Hedged Class	0.3518
- EUR-Hedged Class	0.5418
- GBP-Hedged Class	0.6525
- HKD-Hedged Class	0.0621
- MYR-Hedged Class	0.1234
- RMB-Hedged Class	0.0745
- SGD-Hedged Class	0.3617
- USD Class	0.4965
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**NET ASSET VALUE PER UNIT IN
RESPECTIVE CURRENCIES**

- AUD-Hedged Class	AUD0.4924
- EUR-Hedged Class	EUR0.4758
- GBP-Hedged Class	GBP0.4902
- HKD-Hedged Class	HKD0.4872
- MYR-Hedged Class	MYR0.5014
- RMB-Hedged Class	RMB0.4990
- SGD-Hedged Class	SGD0.4875
- USD Class	USD0.4965
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**STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

Financial
period ended
28.02.2019
USD

**NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
AT THE BEGINNING OF THE FINANCIAL PERIOD**

-

Movement due to units created and cancelled during
the financial period

Creation of units arising from applications

8,052,300

- AUD-Hedged Class
- EUR-Hedged Class
- GBP-Hedged Class
- HKD-Hedged Class
- MYR-Hedged Class
- RMB-Hedged Class
- SGD-Hedged Class
- USD Class

915,768
96,292
460,731
61,162
3,962,324
27,541
1,250,860
1,277,622

Cancellation of units

(656,399)

- AUD-Hedged Class
- EUR-Hedged Class
- GBP-Hedged Class
- HKD-Hedged Class
- MYR-Hedged Class
- RMB-Hedged Class
- SGD-Hedged Class
- USD Class

(1,098)
-
-
-
(515,997)
-
(129,897)
(9,407)

Decrease in net assets attributable to
unitholders during the financial period

(95,106)

- AUD-Hedged Class
- EUR-Hedged Class
- GBP-Hedged Class
- HKD-Hedged Class
- MYR-Hedged Class
- RMB-Hedged Class
- SGD-Hedged Class
- USD Class

(44,981)
(5,263)
(7,922)
(405)
(35,741)
481
(712)
(563)

**NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
AT THE END OF THE FINANCIAL PERIOD**

7,300,795

www.affinhwangam.com

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