



Affin Hwang World Series – Global Income Fund

Affin Hwang World Series – Global Income Fund (“AHWS-GIF”) provides investors with regular income through investments in global fixed income instruments that produce an attractive level of income while maintaining a relatively low risk profile, with a secondary goal of capital appreciation. AHWS-GIF invests into the PIMCO GIS Income Fund.

Given the large amount of market volatility during Q1’20, we wanted to provide you an update on the performance of the GIS Income Fund and answer some frequently asked questions by investors.

Commentary on the PIMCO GIS Income Fund Update as provided by PIMCO Asset Management

First, a word on the strategy’s objectives and approach

- PIMCO GIS Income Fund seeks to deliver consistent income and strong risk-adjusted returns over time. We take a longer term view, and the strategy uses a balanced approach in order to meet these objectives across different market environments. Our approach is to allocate across higher yielding assets that tend to do well in positive economic scenarios and high quality assets that tend to help mitigate the downside in risk-off scenarios.
- This approach has resulted in attractive long-term historic performance from diverse sources. The Fund is not immune to periods of negative performance as we aim to meet the objective of paying out an attractive and consistent distribution, but an emphasis on seeking opportunities across the entire global fixed income market, strong risk management, and “bend but don’t break” strategies have helped the Fund withstand many periods of market volatility over its 7+ year history. This is a key tenet of the PIMCO GIS Income Fund; we are focused on seniority and quality, seeking assets with strong fundamentals that can remain resilient amid market and economic shocks.

Looking back at performance during March’20

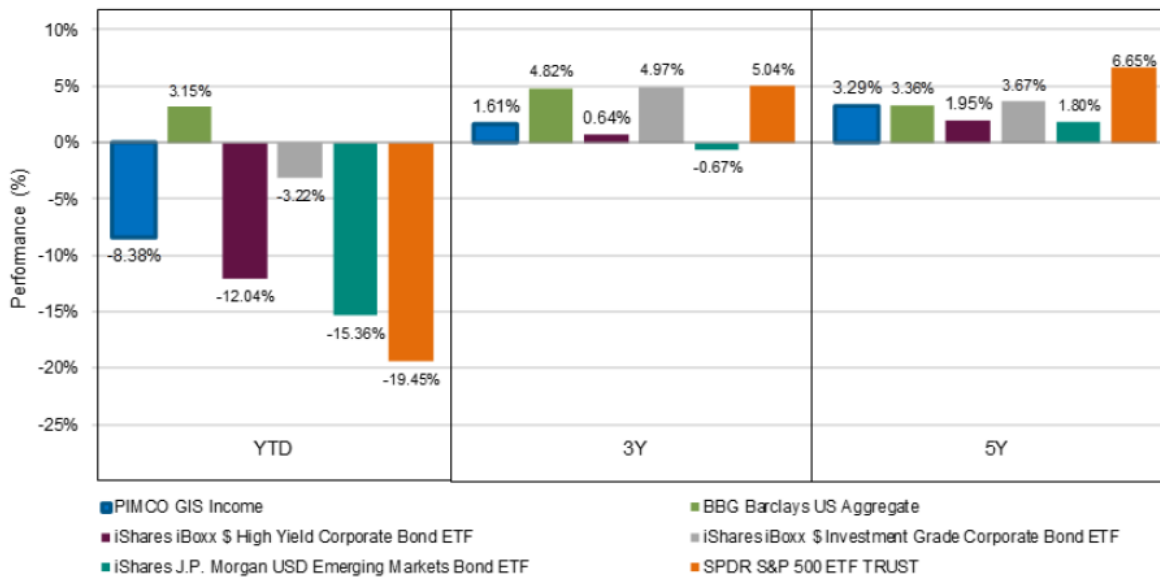
- All assets experienced price volatility given significant economic uncertainty in March. This was driven by worsening data around coronavirus infection rates across the globe. There was little differentiation for higher quality assets as global markets experienced one of the most violent sell-offs in history. The selloff we observed was made worse by limited liquidity in markets due to reduced trading. However, it is worth noting that was a systemic, market issue and not a PIMCO GIS Income Fund issue - with the Fund meeting all redemption requests.
- In fact, during this period the GIS Income Fund ended Q1’20 outperforming 66% of its peers in the Morningstar Global Flexible Bond – USD Hedged category over 3 years and 93% over 5 years.



Fund Updates

June 2020

Performance (Annualised Returns)



- In this environment, we think it is imperative to distinguish between investments that have been marked down predominantly due to broad risk-off market sentiment, and those that have experienced a permanent deterioration in underlying value i.e. defaults. For example, in March we saw AAA-rated agency mortgages, which are guaranteed by the US Agencies, cheapen to levels we hadn't seen since the 2008 crisis.
- As a result, March performance for GIS Income Fund was driven by bond prices falling across all sectors of the market, specifically corporate credit, structured credit, and emerging markets. Exposure to U.S. interest rates helped, but had a limited impact given the severe selloff in the credit markets.
- In April, the portfolio saw a strong recovery in performance with a 1-month performance of 3.19% for the GIS Income Inst. USD hedged share class, bringing YTD¹ performance to -5.33%. The primary driver was a recovery in bond prices across all sectors, but in particular, the higher yielding assets held in the portfolio as spreads retraced from the YTD widening.

How did the PM team handle market volatility?

- As a reminder, the PIMCO GIS Income portfolio management team is composed of Dan Ivascyn, Group CIO, Alfred Murata and Josh Anderson, whom have more than 55+ years of combined investment experience. They have been managing the Fund since its inception and have successfully managed the Income strategy through the 2008 financial crisis, 2013 taper tantrum, and the 2015/16 energy crisis. Over time and by taking advantage of market dislocations during crises, the PM team has generated strong risk-adjusted returns in periods following market selloffs (see performance chart on page 4).



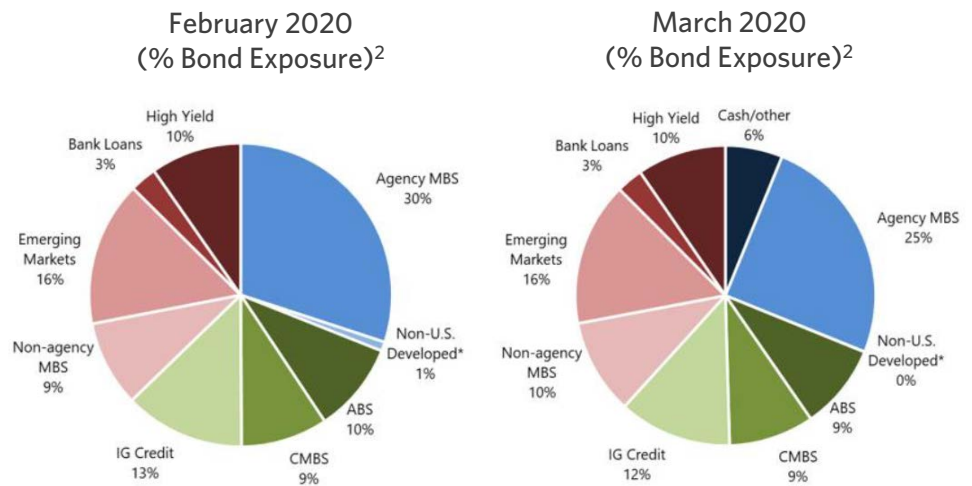
Fund Updates

June 2020

- Coming into this crisis the GIS Income Fund had been de-risking and increasing liquidity; PIMCO had been expecting volatility to increase as we headed into the late stages of the economic cycle.
- In particular, the Fund had been reducing exposure to corporate credit risk, while increasing the allocation to higher quality assets like AAA-rated agency mortgages.

What actions did the PM take to defend?

- During the sell-off, the PM team focused on maintaining a balanced portfolio while raising liquidity. However, since we had been preparing for higher volatility, we had already been focusing on sectors that we believed should be resilient from a fundamental value perspective. We remain focused on quality and liquidity, and will be well positioned to benefit from the stabilisation and eventual recovery in the economy.



What actions did the PM take to play offense?

- Despite market volatility, the PM team ensured that the Fund remained diversified across sectors. Given market dislocations, the Fund marginally deployed capital in sectors we liked coming into this market crisis which became even more attractive. These sectors included bonds issued by banks, AAA-rated agency mortgages, as well as senior legacy non-agency mortgages.
- These securities are consistent with our “bend but do not break philosophy”, i.e. they may suffer in the short term from mark to market volatility but have strong fundamentals that are better positioned to weather the economic shock.
- We also selectively added to high quality long-term corporate bonds, as issuers came to market to raise liquidity and were willing to pay a premium for that liquidity.
- We continued to avoid sectors facing potential for permanent losses like the High Yield energy sector or EM bonds from countries with weak fundamentals like Lebanon.



Fund Updates

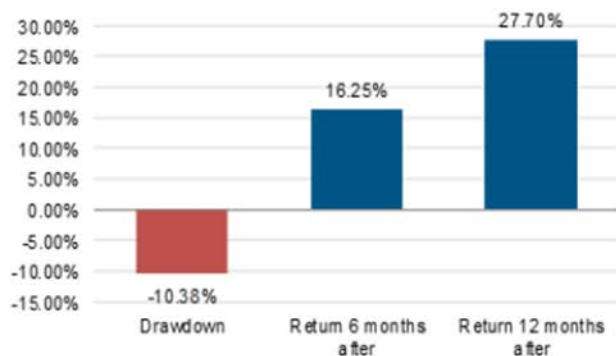
June 2020

What can we expect going forward?

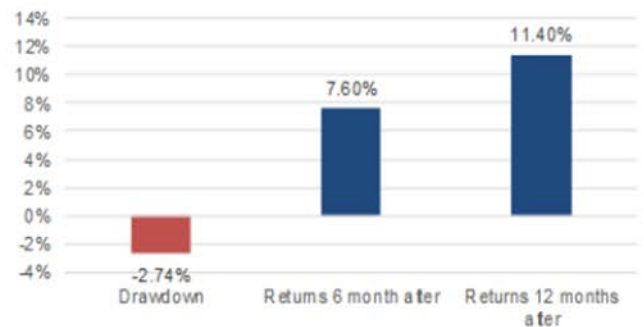
- We remained focused on meeting our long-term objectives of delivering consistent income and attractive long-term risk-adjusted returns; focusing on the sectors that should be resilient from a fundamental value perspective, that have a low risk of permanent losses, and should be well positioned to benefit from any form of stabilisation and eventual recovery in the economy.
- Investment horizon is important: The short term outlook is more uncertain, but longer-term focus has helped the portfolio deliver attractive returns over longer horizons. For example, rolling 3Y returns have been positive for investors 100% of the time (in USD after fees).
- As the situation remains fluid and markets remain volatile, we do not have an expectation for short term performance. However, the Fund's YTM of 5.61% (as of April), may provide an indication of 12-month forward return if spreads do not materially change.
- Despite the increased uncertainty, our focus remains on delivering strong risk-adjusted returns with the PM team working rigorously to identify the best opportunities today in the \$110tn fixed income market for our clients.

GIS Income Fund performance over previous market sell-offs

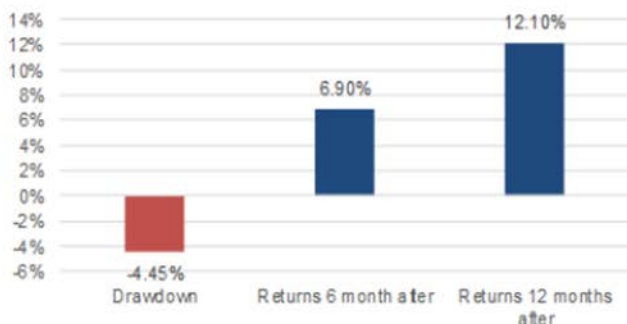
Financial Crisis



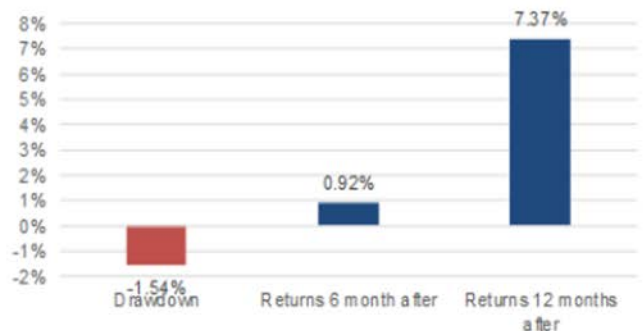
2015/2016 Energy Sell-off



Taper Tantrum



2018 - Rising rates





Fund Updates

June 2020

All data sourced from PIMCO are as of 31 March 2020 unless otherwise noted.

1. Source: PIMCO. As of 30 April 2020.
2. Bond exposure is defined as the market exposure inclusive of notional values. Percent bond exposure (PBE%) shows exposure to a given sector divided by the total assets of the Fund. PBE does not utilize a derivative offset bucket like Percent Market Value (PMV%), which is the Fund's official sector reporting. "Government Related" may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, FDIC-guaranteed and government-guaranteed corporate securities. Within "Non-U.S. Developed", we are excluding interest rate exposures to countries where we hold an overall short position as these positions produce negative exposures. This includes Japan and the UK. We are only excluding the exposure to interest rate positions within these countries, while all other exposures, such as corporate bonds, are included. "ABS" contains traditional ABS, CLOs and CDOs, but also may contain exposure to CMOs domiciled in markets outside of the U.S. such as UK residential mortgage-backed securities.

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Warning Statement

A copy of the Information Memorandum and Product Highlights Sheet ("PHS") can be obtained at Affin Hwang Asset Management's ("Affin Hwang AM") sales offices or at www.affinhwangam.com. Investors are advised to read and understand the contents of Affin Hwang World Series - Global Income Fund's (or the "Fund") Information Memorandum dated 21 February 2018 and the corresponding PHS before investing. There are fees and charges involved when investing in the Fund. Investors are advised to consider and compare the fees and charges as well of the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and past performance of the fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibilities for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.