# Asia Pacific Growth Fund

*Fund Update July 2019*

## Investment Objective

To seek high capital growth over the medium to long-term period through investments in situational and high growth stocks.

## Fund Details

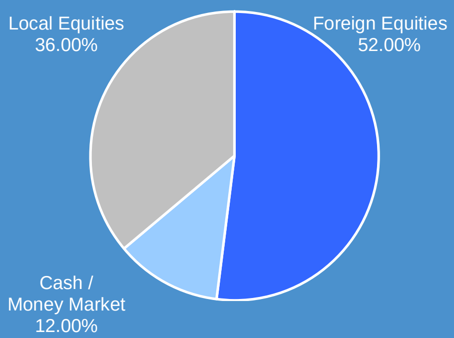
| | |
|---|---|
| **Fund Size** | RM45,331,424 |
| **Unit NAV @ 31/07/2019** | RM2.4800 |
| **Valuation Frequency** | Daily |
| **Fund Manager** | Affin Hwang Asset Management Bhd |
| **Fund Management Fee** | 1.50% p.a. |
| **Launch Date** | 25 Sep 2006 |

## Portfolio Composition and Holdings

**Top Five Holdings**

| Securities | % Holding |
|---|---|
| Tencent Holdings Ltd | 5.1% |
| AIA Group Ltd | 4.1% |
| Ping An Insurance Grp Co China | 3.9% |
| Genting Malaysia Bhd | 3.4% |
| Taiwan Semiconductor Manufac | 3.2% |

**Portfolio Composition by Category of Investment**




## Fund Performance*

| Total Return (%) | 1 Month | 3 Month | 6 Month | 1 Year | 3 Year | 5 Year | YTD | Since Inception |
|---|---|---|---|---|---|---|---|---|
| Fund | -0.12 | 1.29 | 5.28 | 0.22 | 11.91 | 29.30 | 8.94 | 147.92 |
| Benchmark | -1.38 | -1.99 | -0.08 | -3.57 | 16.91 | 9.05 | 3.97 | 82.16 |
| Benchmark (MYR) | -1.58 | -2.18 | 0.21 | -2.68 | 18.00 | 23.67 | 3.79 | 95.77 |

| Annualised Return (%) | 1 Year | 3 Year | 5 Year | YTD | Since Inception |
|---|---|---|---|---|---|
| Fund | 0.22 | 3.82 | 5.27 | 15.88 | 7.32 |
| Benchmark | -3.57 | 5.35 | 1.75 | 6.93 | 4.78 |

| Calendar Year Return (%) | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Fund | -9.26 | 12.28 | 3.96 | 8.00 |
| Benchmark | -8.94 | 23.93 | 2.87 | -5.31 |

*Calculation of performance is based on NAV-to-NAV basis including fund distribution(s), if any. Also, performance for 1-, 3-, 6-months and 1-, 3-, 5-years is based on the fund's performance for the respective preceding period.

**Fund Performance vs Benchmark**
**From 26 September 2006 to 31 July 2019**


## Fund Strategy

The Fund Manager will continue to be selective in its strategy by focusing on quality stocks with strong cash flows, and stocks giving attractive dividend yields or the potential to do so. The Fund Manager will also take tactical investments in selected situational stocks with strong fundamentals.

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## Market Outlook

MSCI APxJ declined -2.17% in July, underperforming MSCI AC World (+0.2%) by -2.37%. Asian equities drifted lower, as no progress was made in trade talks and elevated Fed expectations were pared and eventually disappointed. 2Q earnings results and economic data were mixed, while U.S. and Chinese hard activity data showed some signs of bottoming in June. Korea, India, Hong Kong and Thailand were the worst-performing countries. IT was the best-performing sector across the board

EM equity and bond funds saw -US$2.8bn and +US$6.8bn of flows in July, respectively (data till 24 July). Cumulative inflows to EM equities are now flat vs. bonds' +$51.9bn YTD. Clearly, we have seen bond markets fetching support from the dovish Fed, while equities continue to be pressured over the global growth slowdown and U.S.-China trade uncertainty.

Oil prices saw a flat month. Although DoE stats were relatively supportive, supply-side drivers including U.S.-Iran tensions and Tropical Storm Barry ameliorated through the month and exerted downward pressure. The read-across from weakening equities and the stronger USD also pushed crude lower for less benign reasons. The GSCI Industrial metals index was marginally up. Copper was weak despite some apparent bottoming of activity data, partially related to the supply side, but also to the strengthening USD and rising short-end yields. Gold prices were up a little (+0.3%), underpinned by risk aversion amid U.S.- China trade worries, geopolitical backdrop and some financial market volatility.

U.S : 2Q annualized GDP came in at 2.1% compared to 3.1% in 1Q. The NAHB Housing market index increased to 65 in July from 64 in June. Existing home sales contracted 1.7%, to 5.3mn saar in June. Nominal retail sales expanded 0.4% MoM in June, while retail sales excluding autos, gasoline, building materials and food services expanded 0.7 % MoM. CPI was at 0.1% MoM in June (1.6% oya), and the ex-food and energy core was at 0.3% MoM (2.1 % oya). The ISM manufacturing composite in June was at 51.7. New orders for durable goods expanded 2% in June compared to a contraction of 2.3% in May. The nominal trade deficit expanded to US$55.5 in May compared to US$51.2 in April. The unemployment rate was at 3.7% in June

Some key events which took place during the month included; 1) The Japanese government announced that it will tighten rules on exports to Korea in tech-related materials, and the restriction may be extended to other products, as well. 2) Fed Chair Powell's semi-annual monetary policy testimony strongly reinforced market expectations that the FOMC will lower rates in July, as he said the weak NFPs do not change the Fed's policy outlook and drew attention to worrying global developments and widespread evidence of weakness in manufacturing, trade and investment. 3) The IMF reduced its global growth forecast by 10bps, to 3.2%/3.5% for 2019/2020, citing that policy missteps on trade and Brexit could slow the projected rebound. A GDP growth rate of 3.3% or lower would be the weakest since 2009. 4) The U.S. Fed cut interest rates by 25bp and signaled that future policy decisions will be more data-dependent. The Fed also ended its balance sheet run-off, two months ahead of schedule.

Our strategy currently is to reduce invested levels at 80-85%, mainly positioning in defensive companies with strong cash flows and strong management to help weather through this indecisive period. Valuations have fallen back to mean levels, with earnings revision downwards still taking place. We still remain cautious in the current market conditions with US interest rate cut already achieved, as it shows that growth will be much slower in the coming quarters for US and Asian markets, due to trade risks. We would wait for valuations to come down further to attractive levels. We continue to be nimble in the asset allocation and will look for such ideas using our fundamental bottom-up approach and will be focusing on companies with strong management and sustainable earnings growth.