BOS WEALTH MANAGEMENT

A subsidiary of Bank of Singapore

BOSWM ASIAN INCOME FUND

QUARTERLY REPORT

For the financial period from

1 January 2023 to 31 March 2023

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FUND INFORMATION
As At 31 March 2023

Name Of Fund (Feeder)	:	BOSWM Asian Income Fund
Manager Of Fund	:	BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Name Of Target Fund	:	Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund
Investment Manager Of Target Fund	:	Lion Global Investors Limited (198601745D) (formerly known as Lion Capital Management Limited)
Sub-Investment Manager Of Target Fund	:	Bank of Singapore Limited (197700866R)
Launch Date	:	Class MYR – 12 January 2017 Class MYR BOS – 12 September 2019 Class USD BOS – 12 September 2019 The Fund will continue its operations until terminated as provided under Part 11 of the Deed.
Category Of Fund	:	Mixed assets – feeder fund (wholesale)
Type Of Fund	:	Growth and income□
Investment Objective	:	BOSWM Asian Income Fund aims to provide capital growth and income□ in the medium* to long term* by investing in the Target Fund – Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund. □ *Income is in reference to the Fund's distribution, which could be in the form of cash or units.* * *Medium term is defined as a period of one to three years, and long term is a period of more than three years.*
Performance Benchmark	:	Nil – The Fund does not have a performance benchmark assigned.
Distribution Policy	:	Subject to the availability of income, distribution of income will be on a quarterly basis.
Fund Size	:	17.01 million units

FUND PERFORMANCE
For The Financial Period From 1 January 2023 To 31 March 2023

Market And Fund Review
Review Of The Lion Capital Funds II – Lion-Bank Of Singapore Asian Income Fund (Target Fund Of BOSWM Asian Income Fund)

<u>January 2023</u>

Market overview:
Asia equities enjoyed one of its best starts to the new year. The MSCI AC Far East ex-Japan (MXFEJ +10.4%) and MSCI AC Asia Pacific (MXAP +7.9%) surged ahead in January 2023, buoyed by China's smoother-than-expected reopening and a rebound in North Asia's Information Technology (IT) sector. MSCI Taiwan Index (TAMSCI +12.6%) and MSCI Korea Index (MXKR +12.1%) spearheaded Asia's performance, driven by bellwether Taiwan Semiconductor Manufacturing Company Limited's (TSMC) guidance of a strong second half of 2023 recovery and expectations of near-trough earnings per share downgrades for the IT sector. In China, robust Purchasing Managers' Index data and the Covid-19 situation seemingly under control led to the market's continued recovery MSCI China Index (MXCN +11.7%). Meanwhile, outperforming markets in 2022 i.e. MSCI India Index (MXIN -2.8%) and MSCI Indonesia Index (+2.7%) were used as funding sources for North Asia. Specifically for India, the market was negatively impacted by substantial declines in the Utilities sector, dragged by Adani-related companies. The Fund has no exposure to any Adani equities. Sector-wise, IT, Communication Services and Materials were the top 3 performers, attributed to China's reopening. At the other spectrum, Utilities, Energy and Consumer Staples underperformed.

Within Equities, our preference lies in Asia over Europe and the U.S. due to more attractive growth-adjusted valuations. Asian Equities are trading at 12x forward price to earnings, below its 10-year historical average. Europe's economy is expected to suffer from a prolonged recession which will lead to further negative earnings cuts while the U.S. is expected to enter into a technical recession in the second half of 2023.

We think the semiconductor sector is nearing the end of its inventory destocking cycle such that the market is likely to look past the disappointing near-term earnings. As such, we look to position ahead of the inflection cycle via market leaders like TSMC which are able to hold margins.

For China, we are encouraged by the recent turn in policy signals and the progress made thus far. While short term headwinds are likely as infections rise, November's 2022 policy shift paves the way for a fuller economic recovery once China gets past the first major wave. Together with the ongoing support for the property sector and less intense regulatory scrutiny of technology companies, China remains a bright spot. Our strategy is to stay invested in quality names aligned with China's long-term push towards decarbonation, industrial automation and infrastructure buildout.

Cooler US inflation and employment data, coupled with continued trading of China re-opening theme led risk assets to have one of the best Januarys in history. Regardless of what Federal Reserve (Fed) participants say, investors continued to bet that the Fed will be pausing their rate hikes in the next few months.

J.P Morgan Asian Credit Index generated a total return of 2.98% in January 2023. Overall index spreads tightened, and Treasury yields were lower. Investment Grade spreads widened by 4 basis points (bps) while High Yield spreads tightened by 163bps. The Chinese complex continued to outperform as markets continued to bet on China re-opening. The risk rally also led to outperformance in high beta countries like Sri Lanka and Pakistan.

Portfolio asset allocation:
The Fund allocation is 51.8% in equities, 41.6% in fixed income and the balance 6.6% in cash.

Portfolio update:
We continue to favour Singapore. The Monetary Authority of Singapore's move to actively address rising inflation is positive in our view and the strong SGD should give investors' confidence around the asset values of their holdings. The government remains steadfast in its reopening plans as the country successfully rides through wave after wave. Given Singapore's open economy, we are cognisant of slowing external demand going forward and keep our focus on the labour markets as a leading indicator. We like Singapore banks as a beneficiary of higher interest rates and believe a mild economic slowdown is positive from a credit quality and cost of funding standpoint. There could also be dividend upside as the sector is more than adequately capitalized.

The Fund has begun to lengthen duration somewhat through the new issue pipeline. We will continue to focus on quality issuance given that base rates have risen by almost 450bps making absolute yield attractive. For the High Yield sector, we remain selective given that financing cost have risen overall and it's still unclear if the USD market is open to corporates with leveraged balance sheet.

February 2023

Market overview:
Asia equities gave back majority of its year-to-date gains in February 2023. The MSCI AC Far East ex-Japan (MXFEJ -7.2%) and MSCI AC Asia Pacific (MXAP -5.8%) declined in February 2023, triggered by a significant reversal in the U.S. disinflation theme which had buoyed markets in January 2023. Sticky inflation amidst a backdrop of solid consumption and a tight labour market led markets to move away from expectations of a soft-landing to a higher-for-longer rate environment. China (MSCI China Index -10.4%) and Hong Kong (MSCI Hong Kong Index -7.1%) led the decline, post the sharp rally which started in November 2022 last year. With the upcoming National People's Congress where China's 2023 Gross Domestic Product (GDP) growth target and potential economic stimulus are likely to be announced, investors have decided to step back and wait for further data corroboration of its post zero COVID-19 recovery. Indonesia (MSCI Indonesia Index -0.8%) was the relative outperformer, supported by higher-than-expected fourth quarter of 2022 GDP of 5% and the central bank keeping its policy rate unchanged at 5.75%. Taiwan (MSCI Taiwan Index -1.4%) also outperformed, driven by the technology sector which was boosted by the excitement around generative artificial intelligence. Sector-wise, Information Technology, Consumer Staples and Energy were the top 3 performers. At the other spectrum, Utilities, Consumer Discretionary and Communication Services underperformed.

Within Equities, our preference lies in Asia over Europe and the U.S. on more attractive growth-adjusted valuations. Europe's economy is expected to suffer from a prolonged recession which will lead to further negative earnings cuts while the U.S. is expected to enter into a technical recession in the second half of 2023.

We think the semiconductor sector is nearing the end of its inventory destocking cycle such that the market is likely to look past the disappointing near-term earnings. As such, we look to position ahead of the inflection cycle via market leaders like Taiwan Semiconductor Manufacturing Company which are able to hold margins.

For China, we are encouraged by the recent turn in policy signals and refocus on economic growth. Together with the ongoing support for the property sector and less intense regulatory scrutiny of the technology sector, China remains a bright spot. Our strategy is to stay invested in quality names aligned with China's long-term push towards decarbonation, industrial automation and infrastructure buildout.

While January 2023 was the best January for many risk assets in a long while, February 2023 was a sharp reversal from January as stronger employment and inflation data from the US led investors to doubt that a pivot was coming soon. In fact, market terminal rates went higher than the Fed's median terminal rate and rate cuts were priced out for 2023.

J.P Morgan Asian Credit Index generated a total return of -1.33% in February 2023. Overall index spreads tightened, while Treasury yields were higher. Investment Grade spreads tightened by 15 basis points (bps) while High Yield spreads widened by 23bps. Renewed selloff in Treasuries led to Indonesia underperforming while India also underperformed due to negative sentiment from the Adani short-seller report.

Portfolio asset allocation:
The Fund allocation is 51.7% in equities, 45.6% in fixed income and the balance 2.8% in cash.

Portfolio update:
We continue to favour Singapore. Monetary Authority of Singapore's move to actively address rising inflation is positive in our view and the strong SGD should give investors' confidence around the asset values of their holdings. The government remains steadfast in its reopening plans as the country successfully rides through wave after wave. Given Singapore's open economy, we are cognisant of slowing external demand going forward and keep our focus on the labour markets as a leading indicator. We like Singapore banks as a beneficiary of higher interest rates and believe a mild economic slowdown is positive from a credit quality and cost of funding standpoint.

The Fund continued to take a constructive view on unfairly beaten down quality credits while maintaining some cash buffer to deploy in the event valuations became cheaper.

March 2023

Market overview:
Asia equities delivered a solid all-round performance in March 2023. The MSCI AC Far East ex-Japan (MXFEJ +3.9%) and MSCI AC Asia Pacific (MXAP +3.2%) rose in March 2023, buoyed by the quick and decisive responses of global central banks as they sought to assuage market concerns of an immediate credit crunch against the backdrop of multiple bank failures. This led to a subsequent 45 basis points (bps) month-on-month decline in US 10-year yields. Singapore (MSCI Singapore +5.0%) and China (MSCI China +4.5%) led the recovery, which saw high growth sectors such as Communication Services and Consumer Discretionary rebound in light of looser financial conditions. Indonesia (MSCI Indonesia +4.3%) and Thailand (MSCI Thailand +4.2%) also outperformed, as Bank Indonesia kept policy rate unchanged at 5.75% while Thailand expressed confidence on its economic recovery, supported by the rebound in tourism and exports. Australia was the worst performing market (MSCI Australia -0.3%), dragged by concerns of potential developed markets banking contagion risk seeping into the local banking system and consequently affecting the Real Estate sector. Sector-wise, Communication Services, Information Technology and Materials were the top 3 performers. At the other spectrum, Utilities, Real Estate and Financials underperformed.

Within Equities, our preference lies in Asia ex-Japan over Europe and the U.S. on more attractive growth-adjusted valuations. Europe’s economy is expected to suffer from a prolonged recession which will lead to further negative earnings cuts while the U.S. is expected to enter into a technical recession in the second half of 2023.

We think the Semiconductor sector is nearing the end of its inventory destocking cycle such that the market is likely to look past the disappointing near-term earnings. As such, we look to position ahead of the inflection cycle via market leaders like Taiwan Semiconductor Manufacturing Company which are able to hold margins.

For China, we are encouraged by the recent turn in policy signals and refocus on economic growth. Together with the ongoing support for the property sector and less intense regulatory scrutiny of the technology sector, China remains a bright spot. Our strategy is to stay invested in quality names aligned with China’s long-term push towards decarbonation, industrial automation and infrastructure buildout.

March 2023 was an extremely volatile month with the mood swinging 180 degrees from February 2023. Expectations that terminal rates will have to be higher than 5.50% changed to expectations that Federal Reserve (Fed) funds will be cut by 100bps by the end of the year. In the short span of a few weeks, three banks in the US were wound down while Credit Suisse was taken over by UBS hastily over a weekend. Additional Tier 1 bond holders of Credit Suisse were wiped out before equity holders and the Fed created a new facility, Bank Term Funding Program, to provide liquidity to banks.

J.P Morgan Asia Credit Index generated a total return of 0.90% in March 2023. Overall index spreads widened, while Treasury yields were lower. Higher beta countries such as Pakistan and Sri Lanka underperformed significantly while Indonesia and Malaysia outperformed due to longer interest rate duration from issuers in those countries.

Portfolio asset allocation:
The current Fund allocation as of end March 2023 is 50.1% in equities, 45.5% in fixed income, 2.2% in fixed income and the balance 2.2% in cash.

Portfolio update:
We continue to favour Singapore. The Monetary Authority of Singapore's move to actively address rising inflation is positive in our view and the strong SGD should give investors' confidence around the asset values of their holdings. The government remains steadfast in its reopening plans as the country successfully rides through wave after wave. Given Singapore's open economy, we are cognisant of slowing external demand going forward and keep our focus on the labour markets as a leading indicator. We like Singapore banks as a beneficiary of elevated interest rates and believe a mild economic slowdown is positive from a credit quality and cost of funding standpoint.

We expect to trade within the current range until there is more clarity of the underlying strength of the U.S. economy and on inflationary pressures which will inform the next Fed meeting in May 2023. We still expect good quality credit to remain resilient while the more leveraged entities will continue to experience less friendly refinancing environment. No change in the strategy for the Fund.

Fund Returns

	Total Returns					
	Class MYR		Class MYR BOS		Class USD BOS	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
1.1.2023 To 31.3.2023	4.48%	5.11%	3.97%	5.11%	4.37%	4.93%
1 Year's Period (1.4.2022 To 31.3.2023)	-3.26%	-2.29%	-9.35%	-2.29%	-7.48%	-6.89%
3 Years' Period (1.4.2020 To 31.3.2023)	3.68%	9.00%	0.85%	9.00%	2.62%	6.71%
5 Years' Period (1.4.2018 To 31.3.2023)	0.86%	9.71%	-	-	-	-
Financial Year-To-Date (1.1.2023 To 31.3.2023)	4.48%	5.11%	3.97%	5.11%	4.37%	4.93%
Since Investing Date To 31.3.2023	0.13%	12.10%	-8.09%	2.97%	7.86%	-2.79%

Note:
- BOSWM Asian Income Fund Class MYR – Launch/investing date: 12.1.2017
- BOSWM Asian Income Fund Class MYR BOS – Launch/investing date: 12.9.2019
- BOSWM Asian Income Fund Class USD BOS – Launch/investing date: 12.9.2019

Source: Lipper, Bloomberg

Asset Allocation

	As At 31 March 2023
Collective Investment Scheme:	
Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund USD Class C (Distribution) and/or USD Class C (Accumulation)	98.63%
Cash And Liquid Assets	1.37%
	100.00%

Income Distribution

Nil

NAV per unit

(as at 31 March 2023)

Class MYR	RM0.9351
Class MYR BOS	RM0.8836
Class USD BOS	USD1.0786

Significant Changes In The State Of Affairs Of The Fund

Nil

UNAUDITED STATEMENT OF FINANCIAL POSITION
As At 31 March 2023

	31.3.2023 RM
Assets	
Investments	15,222,040
Interest receivable	32
Other receivables	19,429
Cash and cash equivalents	229,964
Total Assets	15,471,465
Liabilities	
Amount due to Manager	25,118
Other payables	16,780
Financial derivatives	280,223
Total Liabilities	322,121
Net Asset Value Of The Fund	15,149,344
Equity	
Unitholders' capital	19,895,214
Accumulated losses	(4,745,870)
Net Asset Value Attributable To Unitholders	15,149,344
Total Equity And Liabilities	15,471,465

UNAUDITED STATEMENT OF FINANCIAL POSITION (continuation)
As At 31 March 2023

	31.3.2023 RM
Net Asset Value Attributable To Unitholders	
- Class MYR	2,026,815
- Class MYR BOS	13,117,769
- Class USD BOS	4,760
	15,149,344
Number Of Units In Circulation (Units)	
- Class MYR	2,167,538
- Class MYR BOS	14,846,204
- Class USD BOS	1,000
Net Asset Value Per Unit (MYR)	
- Class MYR	0.9351
- Class MYR BOS	0.8836
- Class USD BOS	4.7598
Net Asset Value Per Unit In Respective Currencies	
- Class MYR	RM0.9351
- Class MYR BOS	RM0.8836
- Class USD BOS	USD1.0786

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
For The Financial Period From 1 January 2023 To 31 March 2023

	1.1.2023 to 31.3.2023 RM
Investment Income	
Interest income	2,549
Net gain on investments	
- Foreign exchange	(12,242)
- Financial derivatives	819,545
Net unrealised loss on changes in value of financial assets at fair value through profit or loss	(158,113)
	651,739
Expenses	
Audit fee	1,923
Tax agent's fee	841
Manager's fee	18,552
Trustee's fee	1,526
Administration expenses	7,249
	30,091
Net Income Before Taxation	621,648
Taxation	(1,518)
Net Income After Taxation, Representing Total Comprehensive Income for the Period	620,130
Total Comprehensive Income	620,130
Total Comprehensive Income Is Made Up As Follows:	
Realised income	778,243
Unrealised loss	(158,113)
	620,130

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INSTITUTIONAL UNIT TRUST ADVISERS (IUTA)
For more details on the list of appointed IUTA (if any), please contact the Manager. Our IUTA may not carry the complete set of our funds. Investments made via our IUTA may be subject to different terms and conditions.

IMPORTANT NOTICES

Beware of phishing scams
Kindly be alert of any email or SMS that requires you to provide your personal information and/or to login to your account via an unsolicited link. Do not click on email links or URLs without verifying the sender of the email. Please ensure the actual internet address is displayed i.e. www.boswealthmanagement.com.my

If you suspect your account may be compromised and/or would like to seek clarification, please contact us as above.

Update of particulars
Investors are advised to furnish us with updated personal details on a timely basis. You may do so by downloading and completing the Update of Particulars Form available at www.boswealthmanagement.com.my, and e-mail to ContactUs@boswm.com . Alternatively, you may call us as above.