

Sun Life Malaysia

AIIMAN Select Income Fund

March 2023



FUND OBJECTIVE

To provide investors with regular income stream through Shariah-compliant investment.

FUND DETAILS

Launch Date	13 February 2015	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	15.29million units (31 March 2023)	Fund Size	RM18.29 million (31 March 2023)
Unit NAV	RM1.1963 (31 March 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad (FKA Affin Hwang Asset Management Berhad)	Target Fund	Affin Hwang Aiiman Select Income Fund
Benchmark	70% 12-month Maybank General Investment Account (GIA) + 30% FTSE Bursa Malaysia EMAS Shariah Index	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: <ul style="list-style-type: none"> Have a moderate risk appetite Expect incidental growth in capital Want an investment that complies with Shariah requirements 	Fees	<ul style="list-style-type: none"> Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia AIIMAN Select Income Fund. Up to 1.2% p.a. fund management charge is applied on the target fund's NAV by AHAM Asset Management Berhad.

ASSET ALLOCATION OF THE TARGET FUND

Sukuk & Islamic Money Market Instruments	Shariah-compliant Equities	Cash & Others
Min 60%; Max 100%	Min 0%; Max 40%	Remaining Balance

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SECTOR ALLOCATION OF THE TARGET FUND	
Utilities	19.20%
Industrials	15.40%
Financial Services	11.10%
Telecommunications	9.40%
Technology	8.80%
Energy	8.60%
Consumer Staples	4.70%
Real Estate	4.60%
Banks	4.50%
Financials	4.30%
Consumer Discretionary	3.10%
Others	3.40%
Cash & Cash Equivalents	2.90%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND (SUKUK)			
Bonds Issuer	Coupon	Maturity Date	%
MMC Corp Berhad	5.64%	27.04.27	4.6
Celcom Networks Sdn Bhd	5.27%	28.10.26	4.6
Lebuhraya DUKE Fasa 3 Sdn Bhd	5.95%	23.08.34	4.5
WCT Holdings Bhd	5.80%	27.09.49	4.4
UiTM Solar Power Sdn Bhd	6.00%	26.04.30	4.4
TOP HOLDINGS OF THE TARGET FUND (EQUITIES)			
Link REIT			2.3%
Tencent Holdings Ltd			2.3%
Telkom Indonesia Persero			2.2%
Swire Pacific Limited			2.0%
TIME dotCom Berhad			2.0%

PERFORMANCE RECORD

This fund feeds into Affin Hwang AIIMAN Select Income Fund ("target fund") with the objective to provide investors with regular income stream through Shariah-compliant investments. The target fund will invest in a diversified portfolio of Sukuks, Shariah-compliant equities and Islamic money market instruments.

Table below shows the investment returns of Sun Life Malaysia AIIMAN Select Income Fund versus its benchmark as at 31 March 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	2.01	0.06	4.45	0.45	5.59	6.70	19.63
Benchmark	-0.09	-0.04	3.18	-1.28	7.19	4.13	14.03

* Calculation of past performance is based on NAV-to-NAV

Notice: Past performance of the fund is not an indication of its future performance which may differ. The fund performance is not guaranteed.

FUND MANAGER'S COMMENTS

- The MSCI Asia ex Japan index rose 3.29% on the back of growing Expectations that the Fed's tightening cycle is approaching its tail-end has. This has led to lower bond yields, and the US dollar strength weakening which is providing tailwinds to Asian equities.
- On the domestic front, the KLCI fell 2.17% following a streak of outflows as foreigners stayed net sellers. Notwithstanding macro noises, Malaysia economy is primarily domestic driven and therefore more insulated against external shocks. According to latest statistics, net exports only made up to less than 10% of the country's GDP.
- US Treasuries rallied during the month on the back of safe-haven demand amid rising concerns following the financial institutions turmoil. US Sovereign Credit Default Rates and the bond market volatility index, surged higher amid rising concerns in the sector and damaging ripple effects to the economic growth outlook. In line with the decline in the global rates, MGS yields ended lower with profit-taking activities curtailed the drop in bond yields. The 10-year MGS yields ended the month at 3.90% (- 3 bps).
- Malaysia's GDP growth is expected to moderate to around 4% - 5% in 2023, underpinned by domestic demand. External demand is the downside risk to the economic growth if weaker than expected global growth owing to a sharp tightening in the global financial markets. In addition, higher than expected domestic inflation could affect the economy growth by reducing the purchasing power of households and affecting firms' profits. Nevertheless, there are some potential upsides to the economic growth such as better than expected labour market conditions, stronger pickup in tourism activity and implementation of projects from the re-tabled Budget 2023.
- Malaysia's February headline and core CPI remained sticky at 3.7% and 3.9%, respectively. In Budget 2023, inflation forecast range was revised to 2.8-3.8% for 2023, with the domestic policy on subsidies and price control remains the upside bias for inflation. CPI is expected to moderate with the existing domestic price controls and subsidies could help partly contain price pressures. With potential output gap turning positive in the 2H 2023 and inflation to remain sticky, BNM explicitly mentioned that the room for further normalization remains open, which provides a case of another hike for OPR from 2.75% to 3.00%.

STRATEGY:

- The most recent developed markets banking crisis of confidence have readjusted the market expectation of peak US terminal rate and led to lower UST benchmark yields. Given the accumulated impact of policy tightening and lagged impact on the economy, the current strength in economic data is expected to taper off. Overall, we still expect weaker growth globally for 2023 on the back of financial institution turmoil and aggressive hikes of interest rates to curb the elevated level of inflation rate.
- Malaysia's economic growth is expected to moderate in 2023 with downside risks from external development. With potential output gap turning positive in the 2H 2023 and inflation to remain sticky, we think that there will be one more hike of OPR to increase it from 2.75% to 3.00% in 2023.
- We expect range bound yields in April. Local demand for bonds is still healthy and is expected to be anchored by real money investors. Rates volatility will be driven by external development.
- The fund's fixed income exposure was kept at around 68%, while equity exposure was increased to around 29%. For equities, we are the positive on the reopening theme, including in the consumer and commodities sector, where business recovery is anchored by a full reopening. We continue to like technology companies, where we see attractive value emerging after the recent heavy selloff, driven by structural growth trends (e.g. 5G, EV, solar energy).

RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

Manager's Risk	This risk refers to the day-to-day management of the target fund by Affin Hwang which will impact the performance of the target fund. For example, investment decisions undertaken by Affin Hwang as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error, fraudulent, dishonesty or weaknesses in operational process and systems, may adversely affect the performance of the target fund.
Inflation Risk	This is the risk that your investment in the target fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchasing power even though the value of the investment in monetary terms has increased.
Credit/Default risk	Credit risk relates to the creditworthiness of the issuers of the investment (Sukuk and Islamic money markets instruments) and their expected ability to make timely payment of profit and/or principal. Any adverse situations faced by the issuers may impact the value as well as liquidity of the investment. In the case of rated investments, this may lead to a credit downgrade. Default risk relates to the risk of an issuer of the investment either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investment. This could adversely affect the value of the target fund.
Counterparty risk	This risk concerns with the target fund's investment in Shariah-compliant derivatives where the other party in an agreement may default on the terms of the agreement. Generally, counterparty risk can be reduced by emphasis on credit analysis of the counterparty to determine its creditworthiness.
Interest rate risk	<p>Interest rate risk refers to the impact of interest rate changes on the valuation of Sukuk. When interest rates rise, Sukuk's prices generally decline and this may lower the market value of the target fund's investment in Sukuk. The reverse may apply when interest rates fall. In order to mitigate interest rate risk, Affin Hwang will need to manage the debt portfolio taking into account the coupon rate and time to maturity of the Sukuk.</p> <p>Note: Interest rate is a general indicator that will have an impact on the management of the target fund regardless of whether it is a Shariah-based fund or otherwise. It does not in any way suggest that the target fund will invest in conventional financial instruments.</p>
Stock Specific Risk	Prices of a particular Shariah-compliant stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such Shariah-compliant stock will adversely affect the target fund's NAV.
Shariah-compliant warrants investment risk	The value of the Shariah-compliant warrants will depend on the pricing of the underlying security whereby the growth and performance prospect of the underlying security would consequentially affect the value of the Shariah-compliant warrants. In addition, the value of the Shariah-compliant warrants may decrease exponentially as the Shariah-compliant warrants approach their maturity date and the potential gains from a favourable price movement of the underlying security may be offset by aggressive time decay. Affin Hwang may consider unwinding these Shariah-compliant warrants if there are material adverse changes to its value with the aim to mitigate the risk.

RISKS (CONTINUED)

Liquidity risk

Liquidity risk arises in two scenarios. The first scenario is where an investment cannot be sold due to unavailability of a buyer for that investment. The second scenario exists where the investment, by its nature, is thinly traded. This will have the effect of causing the investment to be sold below its fair value which would adversely affect the NAV of the target fund.

Currency risk

As the investments of the target fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

Regulatory risk

The investments of the target fund will be exposed to changes in the laws and regulations in the countries the target fund is invested in. These regulatory changes pose a risk to the target fund as it may materially impact the investments of the target fund. In an effort to manage and mitigate such risk, Affin Hwang seeks to continuously keep abreast of regulatory developments (for example, by closely monitoring announcements on regulators' website and mainstream medias) in that country. Affin Hwang may dispose its investments in that particular country should the regulatory changes adversely impact the unit holders' interest or diminish returns to the target fund.

Country risk

Investments of the target fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the target fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the target fund in those affected countries. This in turn may cause the NAV of the target fund to fall.

Reclassification of Shariah status risk

This risk refers to the risk that the currently held Shariah-compliant equities in the target fund may be reclassified to be Shariah non-compliant in the periodic review of the equities by the Shariah Advisory Council of the Securities Commission Malaysia (SACSC), the Shariah Adviser or the Shariah boards of the relevant Islamic indices. If this occurs, Affin Hwang will take the necessary steps to dispose of such equities. There may be opportunity loss to the target fund due to the target fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant equities. Affin Hwang will be required to dispose of these equities immediately if the prices are above the purchase price. Should the prices be below the purchase price, Affin Hwang may choose to hold on to these holdings until the prices meet the purchase price. Nevertheless, should Affin Hwang decide to dispose of these equities below the purchase price, the target fund will be faced with the risk of realising its losses, thus negatively impacting the NAV of the target fund.

Source : AHAM Asset Management Berhad

Date : 31 March 2023

Disclaimer:

The benchmark performance is not a guide to future performances which may differ. The performance of the fund is not guaranteed. The value of the fund will fluctuate and may fall below the amount of contributions paid and the fund value depends on the actual performance of the underlying investment. This material is for information purposes only and is subject to change at any time without notice. Sun Life Malaysia does not guarantee its accuracy, completeness, correctness or timeliness for any purpose or reason. This information should not be considered as advice or recommendation in relation to your account or particular investment objectives, financial situation or needs. You may not revise, transform, or build upon this material without prior written consent of Sun Life Malaysia. Before acting on any information you should seek independent financial advice. Sun Life Malaysia may suspend the unit pricing and defer the payment of benefits, other than death and total and permanent disability benefits, subscription or redemption of units, switching of funds, under this contract for a reasonable period in exceptional circumstances, such as and including intervening events resulting in temporary closure of any stock exchange.