

### FUND OBJECTIVE

An income and absolute return focused fund that aims to provide regular income stream through investment in sukuk and Shariah-compliant equities.

### FUND DETAILS

Launch Date	13 February 2015	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	9.80 million units (30 September 2020)	Fund Size	RM11.94 million (30 September 2020)
Unit NAV	RM1.2186 (30 September 2020)	Dealing	Daily (as per Bursa Malaysia trading day)
Investment Manager of the Target Fund	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 (FBMSHA)	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: <ul style="list-style-type: none"> <li>▪ Have a moderate risk appetite</li> <li>▪ Expect incidental growth in capital</li> <li>▪ Want an investment that complies with Shariah requirements</li> </ul>	Fees	<ul style="list-style-type: none"> <li>▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia AIIMAN Select Income Fund.</li> <li>▪ 1.2% p.a. fund management charge is applied on the target fund's NAV by Affin Hwang Asset Management Berhad.</li> </ul>

### 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

### SECTOR ALLOCATION OF THE TARGET FUND

Sukuk	60.00%
Consumer Services	11.80%
Technology	11.70%
Financials	6.10%
Telecommunications	2.30%
Basic Material	1.10%
Industrials	1.10%
Cash & Cash Equivalent	5.90%
Total	100.00%

### TOP HOLDINGS OF THE TARGET FUND (SUKUK)

Bonds Issuer	Coupon	Maturity Date	%
Lebuhraya DUKE Fasa 3 Sdn Bhd	5.95%	23.08.34	4.6
WCT Holdings Bhd	5.80%	27.09.49	4.1
MEX II Sdn Bhd	5.90%	27.04.29	3.9
YTL Power International Bhd	5.05%	03.05.27	3.3
Westports Malaysia Sdn Bhd	4.53%	01.04.27	3.3

### TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

Alibaba Group Holding Ltd	5.3%
Tencent Holdings Ltd	4.2%
Samsung Electronics Co Ltd	2.5%
Taiwan Semiconductor Manufacturing	2.1%
Frasers Centrepoint Trust	2.1%

### PERFORMANCE RECORD

This fund feeds into Affin Hwang AII MAN 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 AII MAN Select Income Fund versus its benchmark as at 30 September 2020:

%	YTD	1M	6M	1-Year	3-Year	5-Year	Since Inception
<b>Fund*</b>	2.10	-2.07	7.56	4.52	9.10	23.82	21.86
<b>Benchmark</b>	4.10	-0.47	8.65	5.20	7.88	16.29	15.60

\* 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 broader MSCI Asia ex-Japan index was down 1.5% in September, as the Hong Kong Hang Seng index closed 6.4% lower amidst profit taking ahead of the Golden Week holidays in China.
- The local equities market mirrored regional weakness with the benchmark KLCI falling 2.4% in October as political uncertainty dampened sentiment and a surge in COVID-19 cases in the country sent jitters to investors.
- Domestic bond yields trended higher as BNM held policy rates unchanged and with investors positioning defensively ahead of the FTSE Russell decision. However, market sentiment recovered towards the end of the month. The 10-year GII yield ended the month at 2.63% from 2.61% in the previous month end.
- The corporate bond market continues to see some buying demand as investors continue their search for yields. On the supply side, there were several new corporate bond offerings in September as issuers took the opportunity to lock in their funding cost due to the current low rate environment.
- Malaysia continued to see deflation, at -1.4% YoY in August. Core inflation remained stable at 1.1%, and still below BNM's implicit tolerance threshold of around 2% to 2.5%.
- **STRATEGY:** During the month, the fund's positioning leans towards a neutral to slightly long duration bias.
- The fund maintained fixed income exposure to 60%, while equity exposure was also maintained at 35%.
- The resurgence of Covid 19 locally has increased the likelihood of stricter movement control order and stalling the recent economic recovery. As such, rates are not expected to trend upwards sustainably and will stay low for a considerable period. Domestic liquidity remains ample while foreign flow has been positive YTD.
- Valuations of Government sukuk also look attractive now against historical trend and against global peers.
- However, we remain cautious given the traditionally weak Q4. Some volatility is expected ahead especially in longer dated bonds with Budget 2021 announcement in November, the US presidential elections and local political uncertainty.
- We will continue to be selective in our credit selection and only invest in good corporates. Our preference are for primary issuances for better entry levels.

## RISKS

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

<b>Credit/Default risk</b>	<p>This risk concerns with issuers of Sukuks and Islamic money market instruments. The risk arises when an issuer is unable to service any coupon payments or pay the principal amount upon maturity. If such defaults were to occur, the target fund will record significant losses with respect to the NAV and will also be forced to forfeit any coupon entitlements. For Islamic money market instruments, the risk is that the issuers of such instruments may not make timely payment of interest and principal. In the event of any default in the payment of the interest and principal, the value of the target fund may be adversely affected. The management of credit risk is largely accounted for by Affin Hwang's management of issuer-specific risk. This refers to the emphasis on credit analysis conducted to determine issuer's or guarantor's ability to service promised payments.</p>
<b>Counterparty risk</b>	<p>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.</p>
<b>Interest rate risk</b>	<p>Prices of Sukuks are subject to interest rate fluctuations. Generally, movement in interest rates affects the prices inversely. For example, when interest rates rise, prices of Sukuks will fall. The fluctuations of the prices of Sukuks will also have an impact on the NAV of the target fund. This risk can largely be eliminated by holding the Sukuks until their maturity. Affin Hwang also manages interest rate risk by considering each Sukuk's sensitivity to interest rate changes as measured by its duration. When interest rates are expected to increase, the target fund would then likely seek to switch to Sukuk which have a lower duration and are less sensitive to interest rate changes.</p>
<b>Equity investment risk</b>	<p>The buying and selling of equities carry a number of risks. The most important being the volatility of the capital markets on which those securities are traded and the general insolvency risk associated with the issuers of equities. The value of an equity investment also depends on its earnings potential, sound management, treatment of minority shareholders, as well as a myriad of other factors. Failure to achieve the expected earnings would result in declining investment value which in turn affects the performance of the target fund. This risk could be mitigated by diversifying the target fund's portfolio. Affin Hwang will employ stringent stock selection criteria which would effectively filter its stock components to equities which can provide income to the target fund.</p>
<b>Liquidity risk</b>	<p>Liquidity risk arises in two scenarios. The first 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.</p>
<b>Currency risk</b>	<p>Whilst the target fund is denominated in RM, investments in countries other than Malaysia will cause the target fund to be exposed to currency risks.</p>

**RISKS (CONTINUED)**

**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**

Since the investments for the target fund may consist of investments issued in various countries in addition to Malaysia, the foreign investment portion of the target fund may be affected by the risks specific to the countries in which it invests. Such risks include changes in a country's economic fundamentals, changes in social and political stability and foreign investment policies, which may have an adverse impact on the target fund's investments.

**Reclassification of Shariah status risk**

This risk refers to the risk that the currently held Shariah-compliant securities by the target fund may be reclassified to be Shariah non-compliant. If this occurs, then the value of the target fund may be adversely affected and Affin Hwang will take the necessary steps to dispose of such securities in accordance with the advice from the Shariah Adviser.

**Source : Affin Hwang Asset Management Berhad**  
**Date : 30 September 2020**

**Disclaimer:**

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