

Sun Life Malaysia Islamic Equity Fund

August 2023



FUND OBJECTIVE

Aims to achieve consistent capital appreciation over a medium to long-term by investing in equities and other approved investments, which harmonise with Islamic philosophy and laws.

FUND DETAILS

Launch Date	01 December 2009	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	23.19 million units (30 August 2023)	Fund Size	43.73 million units (30 August 2023)
Unit NAV	RM1.8860 (30 August 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Investment Manager of the Target Fund	AHAM Asset Management Berhad (FKA Affin Hwang Asset Management Berhad)	Target Fund	AHAM Aiiman Growth Fund (FKA Affin Hwang Aiiman Growth Fund)
Benchmark	FBM Emas Shariah Index (FBMS)	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: <ul style="list-style-type: none">▪ Have a medium to long term investment horizon▪ Are risk tolerant▪ Seek higher returns on the investment that comply with Shariah requirements	Fees	<ul style="list-style-type: none">▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Islamic Equity Fund.▪ Up to 1.5% p.a. fund management charge is applied on the Target Fund's NAV by AHAM Asset Management Berhad.

ASSET ALLOCATION OF THE TARGET FUND

Equity	Cash
Min 70%; Max 100%	Max 30%

Sun Life Malaysia Takaful Berhad 200501012215 (689263-M)

Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

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SECTOR ALLOCATION OF THE TARGET FUND

Industrials	19.40%
Financials	16.30%
Consumer Staples	13.40%
Health Care	10.00%
Technology	9.80%
Telecommunications	8.50%
Utilities	4.40%
Basic Materials	4.10%
Energy	2.90%
Consumer Discretionary	1.00%
Cash & Cash Equivalents	10.30%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Axis Real Estate Invt Trust	5.80%
Tenaga Nasional Bhd	4.40%
Solarvest Holdings Berhad	4.20%
TIME dotCom Berhad	3.60%
IHH Healthcare Bhd	3.20%
UOA Development Bhd	3.20%
Sime Darby Plantation Bhd	2.90%
Genetec Technology Bhd	2.70%
Hartalega Holdings Bhd	2.50%
Inari Amertron Bhd	2.50%
Total	35.00%

PERFORMANCE RECORD

This fund feeds into AHAM Aiiiman Growth Fund ("target fund") with the objective to achieve consistent capital appreciation over a medium to long-term by investing in equities and other approved investments, which harmonize with Islamic philosophy and laws.

Table below shows the investment returns of Sun Life Malaysia Islamic Equity Fund versus its benchmark as at 30 August 2023

%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.35	-0.46	2.84	-1.74	18.23	38.48	88.60
Benchmark	-0.16	-0.29	0.99	-17.06	-14.73	-9.35	29.65

* 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.

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FUND MANAGER'S COMMENTS

- US equities pared back gains in August as stronger than expected economic data spurred bond yields which hit new highs. This bolstered bets that the US Federal Reserve (Fed) would hold interest rates higher for longer to keep a lid on inflation. The S&P 500 index fell 1.77% lower, as the benchmark 10-Year Treasury yield soared 15bps to close at 4.11%.
- Retail sales beat expectations boosted by a surge in online spending as well as food services. Similarly, US industrial production rose 1.00% turning positive for the first time in three months, led by a rebound in motor vehicle output as well as strong utility use.
- This was tempered by softer job data signalling that labour market conditions are easing. The unemployment rate rose from 3.50% to 3.80% in August on the back of a higher labour force participation. Wage growth also came below forecasts with average hourly earnings rising modestly at 0.20% for the month and 4.30% from a year ago.
- Back home, the local market held steady with the benchmark KLCI barely unchanged at -0.51% in August. There was greater political clarity following the conclusion of state elections. As widely expected, the Pakatan Harapan-Barisan Nasional (PH-BN) coalition retained Selangor, Penang and Negeri Sembilan, while Perikatan Nasional (PN) held on to their strongholds in Kedah, Kelantan and Terengganu.
- We can expect more policy continuity with several significant roadmaps in focus. These include Part 2 of the National Energy Transition Roadmap as well as the New Industrial Masterplan that was announced during the month.
- It also earnings season with banks emerging as the biggest winners on improvement in net interest margins (NIM) with competition for deposits cooling. On the flipside, the plantation and petrochemical sector underperformed due to a high base effect as commodity prices starts to normalise. On recent news, the government unveiled the New Industrial Master Plan (NIMP) 2030 which outlines several key targets to create high-value jobs and galvanise innovation for the next 7 years. The NIMP 2030 will require an estimated total investment of RM95 billion that could boost the increase the manufacturing sector's value by 6.50%. However, more granular details are expected to be revealed under Budget 2024 expected to be tabled sometime in October this year.

STRATEGY:

- Sentiment for the domestic market remains optimistic as supportive investment themes continue to emerge. These include the National Energy Transition Roadmap, M&A exercises, and FDI newsflow. However, we are neutral on the market as macro headwinds persist, particularly from China as it struggles with its post-lockdown recovery.
- The fund continues to maintain its defensive positioning on the back of more challenging macroeconomic conditions. The portfolio will maintain its cash levels at around 10 – 20%.
- The recent market strength is an opportunity for the fund to lock in some profits, particularly in the Construction, Building Materials, and Property sectors. Cash will act as buffer to continued market volatility and allow us to capitalise on opportunities when there are any pull backs.
- Transaction wise, the Fund was net buying in August, adding more into existing positions. Some accumulation in the Technology sector (on the back of decent valuation and positioning for recovery), Utilities, and Oil & Gas. Notable Purchase for the month of August would be Petronas Chemicals.

RISKS

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

Market risk	Market risk arises because of factors that affect the entire marketplace. Factors such as economic growth, political stability and social environment are some examples of conditions that have an impact on businesses, whether positive or negative. Market risk cannot be eliminated by diversification. It stems from the fact that there are economy-wide perils which threaten all businesses. Hence, investors will be exposed to market uncertainties and no matter how many Shariah-compliant securities are held, fluctuations in the economic, political and social environment will affect the market price of the Shariah-compliant investments either in a positive or negative way.
Fund management 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, fraudulence, dishonesty or weaknesses in operational process and systems, may adversely affect the performance of the target fund.
Performance risk	There is no guarantee in relation to the investment returns.
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.
Liquidity risk	Liquidity risk arises in two scenarios. The first scenario is where the target fund's investment cannot be sold due to unavailability of a buyer for that investment. The second scenario exists where the target fund's investment, by its nature, is thinly traded. This will have the effect of causing the target fund's investment to be sold below its fair value which would adversely affect the NAV of the target fund.
Credit/Default risk	Credit risk relates to the creditworthiness of the issuers of the investment (Islamic money market instruments) and their expected ability to make timely payment of interest 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.
Equity investment risk	This is the risk associated with investing in a particular equity. The value of individual equity is mainly determined by its potential growth in earnings, sound management, and treatment of minority shareholders, as well as a myriad of other factors. Failure to achieve these would result in declining investment value which in turn affects the performance of the target fund. This can be mitigated by diversifying the target fund's portfolios.

RISKS (CONTINUED)

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 in the periodic review of the equities by the Shariah Advisory Council of the Securities Commission Malaysia (SACSC), the Shariah Adviser for the target fund 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.

Shariah-compliant warrants investment risk

The value of the Shariah-compliant warrants (“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 warrants. In addition, the value of the warrants may decrease exponentially as the warrants approach its 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 warrants if there are material adverse changes to its value with the aim to mitigate the risk.

Source : AHAM Asset Management Berhad
Date : 30 August 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.