

Sun Life Malaysia

AIIMAN Select Income Fund

August 2021



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 | 14.83 million units (30 August 2021) | Fund Size | RM18.64 million (30 August 2021) |
| Unit NAV | RM1.2571 (30 August 2021) | Dealing | Daily (as per Bursa Malaysia trading day) |
| Fund Manager | 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"> 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. 1.2% p.a. fund management charge is applied on the target fund's NAV by Affin Hwang 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

| | |
|-------------------------|---------|
| Industrials | 21.5% |
| Utilities | 13.2% |
| Financial Services | 9.7% |
| Consumer Discretionary | 8.3% |
| Real Estate | 7.5% |
| Telecommunications | 7.0% |
| Technology | 6.8% |
| Consumer Staples | 3.9% |
| Banks | 3.6% |
| Financials | 3.2% |
| Energy | 2.9% |
| Others | 10.5% |
| Cash & Cash Equivalents | 1.7% |
| 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 | 3.8 |
| WCT Holdings Bhd | 5.80% | 27.09.49 | 3.6 |
| Westports Malaysia Sdn Bhd | 4.53% | 01.04.27 | 2.8 |
| YTL Power International Bhd | 5.05% | 03.05.27 | 2.8 |
| Tadau Energy Sdn Bhd | 5.20% | 27.07.23 | 2.8 |

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

| | |
|--|------|
| V.S. Industry Bhd | 2.5% |
| Taiwan Semiconductor Manufacturing Company Ltd | 2.1% |
| Singapore Telecom Ltd | 2.0% |
| Telkom Indonesia Persero Tbk PT | 2.0% |
| Telekom Malaysia Bhd | 1.9% |

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 30 August 2021:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|------|------|-------|--------|---------|---------|-----------------|
| Fund* | 0.24 | 0.53 | -0.42 | 1.03 | 11.84 | 20.56 | 25.71 |
| Benchmark | 0.03 | 1.84 | 0.20 | 0.55 | 6.49 | 12.84 | 16.78 |

* 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 AC Asia ex-Japan index was up 2.3% even as regulatory headwinds continue to cloud North Asian markets. China passed a major data protection law setting out tougher rules on how companies collect and handle their users' information.
- The FBM100 index staged a strong rebound, up 6.2% in August, as political risks temporary abates following the announcement of Datuk Seri Ismail Sabri and his subsequent announcement of his government's cabinet, which was seen to provide policy continuity.
- The government bond yield curve bear flattened as the 3Y MGS closed the month lower at 2.34% while the 10yr benchmark closed 4bps higher at 3.21%. On the corporate bond segment, buying interest were seen across the rating and maturities as primary issuance pipeline continue to be lackluster.
- Further tightening of credit spreads and strong bid to cover ratios were seen for recent primary issuances of government guarantee and corporate bonds.
- July inflation in Malaysia eased further to 2.2% YoY, well below the 2.9% consensus. Core inflation however remained stable at 0.7% YoY and has been at a sub 1% level since October 2020.

STRATEGY:

- The fund's fixed income exposure was maintained at around 60%, while equity exposure was increased to around 39%.
- The Fund targets a short-to-neutral duration to cushion any impact of rising yields. We also prefer to deploy cash into corporate primary issuances for better yields.
- We view the room for global central banks to start hiking interest rates in the near term is still limited given the ongoing pandemic and uneven recovery. However, near term volatility could come from potential tapering by US Fed. There could be upward repricing risk in the UST yields if the Fed starts to taper in 4Q2021 and this will also impact the outlook for local bonds. However, we view that much of the big move had already taken place in the 1Q2021.
- Domestically, the rapid rise in Covid-19 cases is being offset by the acceleration of vaccination program and reopening of certain economic sectors. Hence, we view OPR to be kept at 1.75% in September MPC meeting.
- The key market drivers for the local fixed income market at this juncture remains the attractive valuations and in the case of corporate bond, supply scarcity in addition to improved demand from long term investors.
- We therefore maintain our trading stance for government bonds. For corporate bonds, we still favor the short to mid-term tenure segment. We continue to be mindful of credit selection with a preference for good quality credits.

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 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 : Affin Hwang Asset Management Berhad
Date : 30 August 2021

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 premiums 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.