

# Sun Life Malaysia Select Asia (ex Japan) Quantum Fund

December 2023



## FUND OBJECTIVE

To achieve capital appreciation over the medium to long-term by investing in Asia (ex Japan) equities.

## FUND DETAILS

Launch Date	20 May 2014	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	28.42 million units (29 December 2023)	Fund Size	RM17.03 million (29 December 2023)
Unit NAV	RM1.6689 (29 December 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad	Target Fund	AHAM Select Asia (ex Japan) Quantum Fund (FKA Affin Hwang Select Asia (ex Japan) Quantum Fund)
Benchmark	MSCI AC Asia (ex-Japan) Small Cap Index	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: <ul style="list-style-type: none"><li>Have a medium to long term investment horizon</li><li>Are risk tolerance</li><li>Are seeking higher returns for their investments compared to the performance benchmark</li></ul>	Fees	<ul style="list-style-type: none"><li>Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Asia (ex Japan) Quantum Fund</li><li>Up to 1.5% p.a. of fund management charge is applied on the target fund's NAV by AHAM Asset Management Berhad</li></ul>

## ASSET ALLOCATION OF THE TARGET FUND

Equities	Cash
Minimum 70%; Max 100%	Remaining Balance

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

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

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# Sun Life Malaysia

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### SECTOR ALLOCATION OF THE TARGET FUND

Consumer Discretionary	21.20%
Technology	19.70%
Health Care	19.60%
Industrials	13.80%
Financials	10.90%
Basic Materials	3.40%
Consumer Staples	2.80%
Cash & Cash Equivalents	8.60%
<b>Total</b>	<b>100.00%</b>

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

Hugel Inc	6.60%
Medlive Technology Co Ltd	4.80%
Zhihu Inc	4.80%
Andes Technology Corporation	4.50%
Siam Wellness Group	4.10%
Morimatsu Intl Holdings Company	4.00%
Novo Tellus Alpha Acquisition	3.90%
Cebu Air Inc	3.50%
Eugene Technology Ltd	3.50%
Hiap Teck Venture Berhad	3.40%
<b>Total</b>	<b>43.10%</b>

### PERFORMANCE RECORD

The Fund feeds into AHAM Select Asia (ex Japan) Quantum Fund (“target fund”) with the objective of achieving capital appreciation over the medium to long-term by investing in Asia (ex Japan) equities with market capitalization of not more than USD1.5 billion at the time of investment. However, the target fund would also have an option to invest into companies with a market capitalization of not more than USD3.0 billion at the time of investment, which will be capped at no more than 30% of the Net Asset Value (NAV) of the target fund.

Table below shows the investment returns of Sun Life Malaysia Select Asia (ex Japan) Quantum Fund versus its benchmark as at 29 December 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	-1.41	-2.52	-3.18	-1.41	2.00	59.12	66.89
<b>Benchmark</b>	24.01	2.26	8.57	24.01	24.88	56.56	80.56

\* 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

- At the final FOMC meeting in 2023, Fed Chair Jerome Powell pivot a dovish outlooks on rates, showing signs that the inflationary pressures have been contained.
- With inflation pressure easing up and the economy holding up, the Fed has also pencilled in 3 rate cuts (totalling 75 bps) for 2024 in its revised dot plots.
- In Asia, the MSCI ex-Japan rose 1.70% as optimism that the Fed has reached its interest peaked. Notable gainers includes Taiwan and Korea which performed by 3.50% and 4.60% respectively as risk appetite improves.
- On the flipside, China equities remained subdued as recent economic data presented mixed signals in terms of recovery. Industrial output grew 6.6% in November Y-o-Y, however, retail sales missed estimates as analyst expected a better recovery following a low base in 2022 when the economy was hampered by Covid lockdowns.
- China would need to initiate further policy action to spur the recovery of their economy, particularly in their property sector. At its annual Central Economic Work Conference, the policy language further stressed on its adherence to proactive fiscal policies as well as prudent monetary policies to navigate the economic landscape. Top leaders mentioned that they will further step-up policy adjustments to support economic recovery with a focus on boosting demand.
- Back home in Malaysia, the cabinet reshuffle that was announced by PM Datuk Seri Anwar was well received by the market, particularly the appointment of an experience technocrat to the role of 2nd Finance Minister as well as the return of several credible individuals to lead the ministries bodes well for the Madani government's agenda.

### STRATEGY:

- The fund underperformed in 2023 due to overweight in China (22.6%) and manager conviction in China reopening theme that fell short of expectations.
- The fund is still holding the positions in China equities due to valuations and positions. (Prices are at / close to all time low)
- Key turnaround for China in 2024 would be government stimulus and policies to prop up the economy. In the event this comes into fruition, the high cost base would provide a 'tax shield benefit' from capital gains tax, compared if the fund were to realised losses and reset the cost base by re-entering again.
- Other strategic position is the Philippines (7.8%) market, as the manager believe it is overlooked compared to its peers. Their interest rate cycle has peaked and with their currency stabilised, it should improve corporate earnings in the coming years.
- With 2023 focus on tech, 2024 will follow the same as the semi-conductor cyclical downturn expected to pass and exports expected to return to the upside. Most notable countries would be Korea and Taiwan. (11.1% & 13.8% respectively)
- India market (9.9%) has also garnered attention, and the fund will look to increase further its weights in the Country.

## RISKS

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

<b>Market risk</b>	Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the target fund's NAV.
<b>Stock specific risk</b>	Prices of a particular 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 stock will adversely affect the target fund's NAV.
<b>Credit and default risk</b>	Credit risk relates to the creditworthiness of the issuers of the debentures or money market instruments (hereinafter referred to as "investment") 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 investment, 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.
<b>Interest rate risk</b>	This risk refers to the impact of interest rate changes on the valuation of debentures or money market instruments (hereinafter referred to as "investment"). When interest rates rise, the investment prices generally decline and this may lower the market value of the investment. The reverse may apply when interest rates fall.
<b>Warrants investment risk</b>	The value of the 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. We may consider unwinding these warrants if there are material adverse changes to its value with the aim to mitigate the risk.
<b>Country risk</b>	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. 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 or prices of units to fall.

## RISKS (CONTINUED)

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

### 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.

#### Currency risk at the target fund level

The impact of the exchange rate movement between the base currency of the target fund and the currency of the underlying investments (other than in MYR) may result in a depreciation of the value of the investments as expressed in the base currency of the target fund.

### Regulatory risk

The investments of the target fund would 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, the fund manager seeks to continuously keep abreast of regulatory developments (for example, by closely monitoring announcements on regulators' website and mainstream media) in that country. The fund manager may dispose its investments in that particular country should the regulatory changes adversely impact the policy owners' interest or diminish returns of the target fund.

Source : AHAM Asset Management Berhad

Date : 29 December 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 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.