

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 | 15.83 million units (30 September 2022) | Fund Size | RM18.13 million (30 September 2022) |
| Unit NAV | RM1.1453 (30 September 2022) | 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 | 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 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 |

Sun Life Malaysia

AIIMAN Select Income Fund

September 2022



SECTOR ALLOCATION OF THE TARGET FUND

| | |
|-------------------------|--------|
| Utilities | 18.2% |
| Industrials | 17.0% |
| Telecommunications | 16.0% |
| Financial Services | 10.2% |
| Consumer Discretionary | 6.6% |
| Real Estate | 5.4% |
| Banks | 4.2% |
| Consumer Staples | 4.1% |
| Energy | 3.7% |
| Financials | 3.5% |
| Technology | 2.1% |
| Others | 2.4% |
| Cash & Cash Equivalents | 6.6% |
| Total | 100.0% |

TOP HOLDINGS OF THE TARGET FUND (SUKUK)

| Bonds Issuer | Coupon | Maturity Date | % |
|-------------------------------|--------|---------------|-----|
| MMC Corp Berhad | 5.64% | 27.04.27 | 4.4 |
| Celcom Networks Sdn Bhd | 5.27% | 28.10.26 | 4.3 |
| WCT Holdings Bhd | 5.80% | 27.09.49 | 4.2 |
| Lebuhraya DUKE Fasa 3 Sdn Bhd | 5.95% | 23.08.34 | 4.2 |
| Tadau Energy Sdn Bhd | 5.20% | 27.07.23 | 3.2 |

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

| | |
|---------------------------------|------|
| Singapore Telecom Ltd | 3.6% |
| Telekom Malaysia Bhd | 3.3% |
| Telkom Indonesia Persero Tbk PT | 2.5% |
| Swire Pacific Limited | 2.5% |
| Link REIT | 1.8% |

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 September 2022:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|-------|-------|-------|--------|---------|---------|-----------------|
| Fund* | -6.47 | -2.47 | -3.84 | -7.96 | -1.77 | 2.54 | 14.53 |
| Benchmark | -4.71 | -2.14 | -4.32 | -4.58 | 0.59 | 3.15 | 10.52 |

* 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 plunged 12.9% on slowdown fears. Taiwan and Korea were some of the worst performers in the region as the two export-driven countries saw demand for tech goods waning on the back of a global slowdown. The Taiwan Stock Exchange Weighted Index and KOSPI fell by 11.0% and 12.8% respectively.
- China equities similarly saw no relief with the MSCI China index losing 14.7% as it continues to reel from a property slump. Beijing has since stepped up easing measures including lowering the floor of mortgage rates for first-time home buyers in some cities in phases.
- After weeks of resilience, Malaysian government bonds was not spared with yields moving higher in line with global rates movement. The recent selloff reversed all the rally in July-August.
- Headline inflation accelerated for the fifth straight month to +4.7% y-o-y in August driven by higher Food prices. Core inflation quickened to 3.8% which affirms continued recovery in domestic demand. Expect CPI to hover at current level before moderating in 4Q22 (assuming subsidies remain unchanged).

STRATEGY:

- The fund's fixed income exposure was increased to around 67%, while equity exposure was further reduced to around 27%.
- Due to the elevated inflation level and the strong economy, we expect BNM to front load another overnight policy rate hike in November 2022 meeting. This will bring the OPR to 2.75% by year end.
- BNM-Fed divergence, in terms of tightening pace and terminal rate, should stay. But admittedly MGS yield will be pressured upwards, without better clarity on where Fed funds rate will peak..
- We prefer to take a defensive approach at the start of quarter. The local bond market will continue to remain sidelined as investors are still adjusting to hawkish global central banks, inflation outlook and the tabling of Malaysia Budget 2023. The risk remains if UST continue to rise, and foreign portfolio outflow accelerates.
- *Rates strategy:* US Treasuries, global and local rates to remain volatile due to central banks' hawkish stances against inflation. Local bond yield curve could bear flatten if the recession narrative is played out. We maintain a defensive stance. However, current valuations are attractive and will be looking to opportunistically trade.
- *Credit strategy:* Preference for mid tenure bonds at attractive valuations. Selective, buying into strong credit fundamental names while looking to participate in and switch into primary issuances for better yield.
- *Duration strategy:* We take a more defensive stance and target for a short to neutral duration.
- For equities, we are positive on banks, which is a clear beneficiary of economic growth, coupled with strong outlook on loan growth and asset quality. We also like technology companies, where we see value emerging after the recent heavy selloff, and which has strong earnings visibility driven by secular growth trends (e.g. 5G, EV, solar energy). We also favor reopening beneficiaries such as the tourism and consumer sector which benefits from the firm transition to an endemic phase.

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 : Affin Hwang Asset Management Berhad

Date : 30 September 2022

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.