

# Sun Life Malaysia

## Select Asia (ex Japan) Quantum Fund

September 2022



### 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	19.24 million units (30 September 2022)	Fund Size	RM29.94million (30 September 2022)
Unit NAV	RM1.5561 (30 September 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Affin Hwang Asset Management Berhad	Target Fund	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	<p>Suitable for investors:</p> <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 Affin Hwang Asset Management Berhad</li> </ul>

### ASSET ALLOCATION OF THE TARGET FUND

Equities	Cash
Minimum 70%; Max 100%	Remaining Balance

# Sun Life Malaysia

## Select Asia (ex Japan) Quantum Fund

September 2022



### SECTOR ALLOCATION OF THE TARGET FUND

Financials	26.5%
Industrials	22.7%
Consumer Discretionary	15.1%
Health Care	8.8%
Technology	8.6%
Consumer Staples	4.7%
Energy	1.0%
Cash & Cash Equivalents	12.6%
Total	100.0%

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

CSOP Hang Seng TECH Index ETF	8.4%
Mitra Adiperkasa Tbk PT	5.6%
Shriram City Union Finance Ltd	4.6%
Ciputra Development Tbk PT	3.9%
Hainan Meilan Intl Airport Co	3.7%
Yinson Holdings Berhad	3.5%
Novo Tellus Alpha Acquisition	3.5%
Yuexiu Transport Infra Ltd	2.9%
Security Bank Corp	2.8%
Morimatsu Intl Hldings Company	2.8%
Total	41.7%

### PERFORMANCE RECORD

The Fund feeds into Affin Hwang 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 30 September 2022:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	-10.75	-5.16	-5.51	-14.55	36.64	14.91	55.61
<b>Benchmark</b>	-20.09	-8.14	-15.00	-18.82	24.14	4.53	41.65

\* 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.**

## FUND MANAGER'S COMMENTS

- Global markets slumped lower in September as the US Federal Reserve ("Fed") stuck to its hawkish script in its assault against inflation. The S&P 500 fell 9.3% as the Fed delivered its third 75 bps rate hike in a row last month as the central bank shows no let-up in tightening.
- 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% last month 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.
- The US announced a new biotech initiative aimed at bolstering domestic manufacturing and reduce reliance on foreign manufacturers. While the executive order was not a direct ban on China, shares of biotech and other related companies listed in China were heavily sold-down due to the risk of loss of clients and supply chain decoupling.
- The Singapore government announced a raft of measures including stricter borrowing criteria to cool down its property sector. Singapore authorities noted that market interest rates have risen significantly and are likely to rise further, which will affect borrowing costs. This is expected to temper sentiment and cool demand as the impact of higher interest rates begin to bite.

### STRATEGY:

- We expect markets to remain choppy as macro headwinds persists such as a growth slowdown and tightening monetary conditions persist. Growth presents the biggest downside risk going forward. Slower economic growth will put further pressure on corporate earnings.
- We would continue to seek and hold stocks with the Quality Growth at Reasonable Price characteristic. These stocks offer an ideal balance of long term growth prospects, thematic relevance and digestible valuations, though there may be short-term headwinds.
- The fund's invested level was increased to 87%, as we added to positions in China and Hong Kong given attractive valuations and government stimulus policy rollouts
- Over the month, we also added back an Australian oil producer given share price correction and initiated new position in a Chinese shipbuilder given new order wins and entry into the LNG carrier segment. We exited a property management service provider given potential default of the parent company, as well as taking profit on several positions (e.g. Indonesian bank and trimmed India hotel stock).
- We maintain some buffer with higher cash levels as the Fund stays defensive. As positioning is bearish, we would continue to look out for inflection points, which includes inflation indicators sustainably coming off, growth indicators stabilizing and earnings revision improving.

## 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 : *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 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.