# Sun Life Malaysia
# AIIMAN Select Income Fund
May 2024

Sun Life

## 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 | 15.60 million units (31 May 2024) | Fund Size | RM19.98 million (31 May 2024) |
| Unit NAV | RM1.2810 (31 May 2024) | Dealing | Daily (as per Bursa Malaysia trading day) |
| Fund Manager | AHAM Asset Management Berhad | Target Fund | AHAM Aiiman Select Income Fund (FKA 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:<br>▪ Have a moderate risk appetite<br>▪ Expect incidental growth in capital<br>▪ Want an investment that complies with Shariah requirements | Fees | ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia AIIMAN Select Income Fund.<br>▪ Up to 1.2% p.a. fund management charge is applied on the target fund's NAV by AHAM 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 | 18.20% |
| Financial Services | 15.00% |
| Technology | 13.10% |
| Energy | 11.80% |
| Utilities | 11.20% |
| Telecommunications | 7.40% |
| Commercial Services | 4.80% |
| Real Estate | 4.80% |
| Banks | 4.80% |
| Consumer Discretionary | 3.40% |
| Basic Materials | 2.00% |
| Health Care | 1.40% |
| Consumer Staples | 1.30% |
| Cash & Cash Equivalent | 0.80% |
| Total | 100.00% |

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

| Bonds Issuer | Coupon | Maturity Date | % |
|---|---|---|---|
| SMJ Energy Sdn Bhd 4.67% | 4.7% | 26.10.2038 | 7.3% |
| MMC Corp Berhad 5.64% | 5.6% | 27.4.2027 | 4.8% |
| UiTM Solar Power Sdn Bhd 6.00% | 6.0% | 26.4.2030 | 4.8% |
| Celcom Networks Sdn Bhd 5.27% | 5.3% | 28.10.2026 | 4.8% |
| Yinson Holdings Berhad 7.50% | 7.5% | 2.11.2122 | 4.7% |

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

| | |
|---|---|
| Taiwan Semiconductor Manufac | 3.00% |
| Samsung Electronics Co Ltd | 3.00% |
| Tenaga Nasional Bhd | 2.60% |
| ASE Technology Holding Co Ltd | 2.10% |
| Wiwynn Corp | 1.70% |

### PERFORMANCE RECORD

This fund feeds into AHAM 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 31 May 2024:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|---|---|---|---|---|---|---|---|
| **Fund*** | 3.11 | 0.17 | 4.55 | 6.19 | 2.24 | 11.97 | 28.10 |
| **Benchmark** | 4.55 | 0.92 | 4.91 | 6.99 | 4.85 | 11.89 | 22.07 |

** 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

- Global equities defied the old adage of 'Sell in May and Go Away' instead achieving notable gains over the month. The S&P 500 index posted its strongest May performance since 2020, climbing 5%. This surge comes as disinflationary forces seem to be easing, with inflation showing modest declines. The headline consumer price index (CPI) rose 3.4%, aligning with expectations, while core inflation, excluding food and energy, came in at 3.6% as forecasted. However, persistent price pressures in rent and services components continued to contribute to overall inflation.

- The minutes of the US Federal Reserve's May FOMC meeting similarly highlighted the lack of progress over inflation. Most Fed members expressed a lack of confidence in moving forward with interest rate reductions and emphasised patience regarding the timing of rate cuts. Despite recent positive inflation readings, Fed members noted that achieving the 2% target might take time. Fed Chair Jerome Powell, however, reassured investors by pushing back against the possibility of further rate hikes. At the same May FOMC meeting, the Fed opted to keep benchmark interest rates unchanged within the target range of 5.25% - 5.50%. US Treasury yields retreated in May, with the benchmark 10-Year yield dropping by 18 basis points to settle at 4.50%. Bond markets are anticipating two rate cuts by the end of the year, likely occurring between September and December.

- In Asia, the broader MSCI Asia ex-Japan index rose 1.30% driven by gains in Chinese equities. The Hang Seng index and MSCI China index closed 1.80% and 2.10% respectively lifted by optimism surrounding stimulus measures. Regulators announced that the minimum down payment ratios for individuals' commercial housing mortgages will be lowered to 15% for first-home purchases. This is the lowest down payment policy in the country's history, representing a significant easing move in the housing sector. Furthermore, the People's Bank of China (PBOC) announced it would provide 300 billion yuan to financial institutions to lend to local state-owned enterprises (SOEs) so they can buy unsold apartments that have already been built.

- The swathe of policy announcements provides a strong signal that Beijing is taking a closer look at the property market and taking measures to reduce property inventories. It will be important to see a follow-through on stimulus measures to ensure the recovery can be sustained. This is especially as recent economic data such as retail sales, manufacturing PMI and investment data disappoint.

- In Malaysia, MGS yields shifted higher tracking USTs although at a slower momentum. Domestically, EPF's announcement of Account 3 also resulted in a more cautious sentiment. The yields for 3-year, 10-year, and 30-year MGS ended the month at 3.61% (+12bps), 3.98% (+13bps) and 4.29% (+10bp) respectively. Malaysia's growth and inflation outlook remain within expectations. 1Q24 GDP advanced estimate (AE) picked up +3.9% YoY (4Q 2023: +3.0% YoY) but shrank QoQ by -3.4% (4Q 2023: +3.1% QoQ). The YoY growth is supportive of official full-year 2024's 4-5% forecast but at the bottom of range. Growth was seen from all sectors. Headline CPI steady at 1.8% in March vs official forecast 2-3.5%. Core CPI declined to 1.7% (Feb: 1.8%; 2023: 3.0%). Inflation is expected to trend higher in coming months from proposed subsidies removal. However, it is expected to be done in a gradual manner.

**STRATEGY**:

- Reduced cash level to below 2%; For the equity portion, the portfolio is Overweight (OW) Taiwan and Korean tech on higher earnings growth due to cyclical rebound and exposure to the AI theme. 'Value up' theme in Korea bringing rerating to other sectors.
- The Equity sleeve is moderately tilted towards tech sector, which is about 13% of the fund, with anticipation of mega caps stocks announcing spending which have positive impact for Asian tech supply chain.
- For the sukuk sleeve, we prefer belly to long tenor government bonds due to better value and have an active trading stance;
- No significant changes in Sukuk sleeve as the portfolio only had one trade recently namely in PONSB Capital Berhad issuance; We stick to our preference for liquidity and good credit quality names ie. AA and above;
- Target to switch and participate in primary corporate bond/sukuk issuances for yield enhancement. Primary issuances are expected to pick over coming months; and
- We looking to lengthen portfolio duration positioning opportunistically, in the near future, current positioned is at 4.5 years, portfolio yield on estimation for the sukuk sleeve would be around 4.5%;around less than 4.5%.

## 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 : AHAM Asset Management Berhad***
***Date : 31 May 2024***