

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

January 2024



## 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	17.02 million units (31 January 2024)	Fund Size	RM27.32 million (31 January 2024)
Unit NAV	RM1.6048 (31 January 2024)	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

Technology	22.60%
Consumer Discretionary	21.20%
Financials	16.50%
Health Care	16.00%
Industrials	12.60%
Basic Materials	3.40%
Consumer Staples	3.00%
Others	2.00%
Cash & Cash equivalent	2.70%
<b>Total</b>	<b>100.00%</b>

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

Hugel Inc	7.5%
Andes Technology Corporation	5.2%
GT Capital Holdings Inc	4.7%
Novo Tellus Alpha Acquisition	4.6%
Zhihu Inc	4.4%
Siam Wellness Group	4.2%
Cebu Air Inc	4.1%
Eugene Technology Company Ltd	4.1%
Formosa Sumco Technology Corp	4.0%
Medlive Technology Co Ltd	3.7%
<b>Total</b>	<b>46.5%</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 31 January 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	-3.84	-3.84	-8.44	-8.81	-14.67	44.39	60.48
<b>Benchmark</b>	0.47	0.47	6.82	20.84	23.85	52.75	81.40

\* 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

- US equities started 2024 on a strong note, underpinned by robust economic indicators that fortified the case for a soft landing. The S&P500 surge to a new all-time high in January. Most notably US GDP surpassed expectations, expanding by 3.30% in the 4Q 2023, exceeding the forecast of 2.00%.
- The labour market also showcased strength in January with its nonfarm payrolls surpassing expectations, as well as unemployment rate held lower than expected. These strong economic data led to a recalibration of expectations regarding aggressive rate cuts by US Federal Reserve. At its January FOMC meeting, the Fed opted to keep the benchmark rates unchanged, but pushed back on the timing of potential rate cuts until there are stronger evidence of inflation easing.
- The US saw a slight increase in Treasury yields, with the 10-year yield rising by 11 basis points to 3.91%. This movement reflects a shift in market expectations, with a potential rate cut now anticipated in May rather than March.
- In Asia side of things, the MSCI Asia ex-Japan index fell by 5.50%, influenced by higher bond yields and reduced expectations for rate cuts. China's stock market experienced a significant downturn, with the MSCI China index dropping by 10.50%. This was due to China's disappointing economic data, including lower-than-expected GDP growth of 5.20% for the fourth quarter of 2023 and weaker retail sales in December. In response to its economic challenges, the People's Bank of China cut the reserve requirement ratio for banks by 50 basis points, although the stimulus was seen as insufficient to significantly boost economic growth
- The KLCI index in Malaysia rose by 4.00%, with particular attention on Johor-focused companies. However, the country's GDP growth for the fourth quarter of 2023 was 3.40%, below estimates, with the full-year growth also missing targets. The mining, manufacturing, and construction sectors showed slower growth
- A notable development was the signing of a Memorandum of Understanding to establish a Johor-Singapore Special Economic Zone, aiming to enhance economic cooperation and investment, especially in renewable energy.

### STRATEGY:

- Over the month, the Fund Return -3.8% vs the benchmark's 0.5%
- Detractors of the month came from China & Hong Kong positions, as sentiment surrounding the market are still poor. However, the manager is still holding onto these shares from a valuation perspective, as slightly more than half of the China & Hong Kong portfolio positions are trading at or near net cash level. Other detractors from the month was from Malaysia position, where Hiap Teck and DC healthcare contributed to the negative returns
- Contributors of the month came from Philippines and Thailand, where GT Capital performed well. For Thailand, sole holding in Siam wellness group also performed well for January.
- Manager has trimmed some China + HK positions to around 18% of the portfolio. Manager in view that stimulus is required to propped up the economy as well as restoring confidence to the market. Slightly more than half of the holdings are trading at or near net cash level, which is attractive in valuation.
- Added a position into Vietnam as an off index play as Vietnam may be included in FTSE Emerging Market (up from frontier) sometime this year
- The manager's conviction in Cebu Air remains strong, as earnings has already reached its peaked, however share price are still ~40% down from its peak.
- Portfolio has also trimmed some position in Eugene Tech to be on the safe side, as they were recently sued by Kokusai Electronic for Patent infringement

## 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 : 31 January 2024

#### 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.