Sun Life Malaysia
AIIMAN Select Income Fund
April 2023

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	14.95 million units (28 April 2023)	Fund Size	RM17.88 million (28 April 2023)
Unit NAV	RM1.1959 (28 April 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad (FKA Affin Hwang 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: ▪ Have a moderate risk appetite ▪ Expect incidental growth in capital ▪ 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. ▪ 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	
Utilities	18.80%
Industrials	15.30%
Financial Services	11.50%
Energy	7.30%
Technology	6.30%
Telecommunications	9.80%
Financials	4.70%
Real Estate	4.70%
Banks	4.60%
Consumer Staples	5.60%
Consumer Discretionary	2.80%
Health Care	1.50%
Basic Materials	1.30%
Government	1.20%
Cash & Cash Equivalents	4.60%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND (SUKUK)

Bonds Issuer	Coupon	Maturity Date	%
MMC Corp Berhad	5.64%	27.04.27	4.7
Celcom Networks Sdn Bhd	5.27%	28.10.26	4.7
Lebuhraya DUKE Fasa 3 Sdn Bhd	5.95%	23.08.34	4.6
WCT Holdings Bhd	5.80%	27.09.49	4.5
UiTM Solar Power Sdn Bhd	6.00%	26.04.30	4.5

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)	
Link REIT	2.5%
Telkom Indonesia Persero	2.4%
Tencent Holdings Ltd	2.1%
TIME dotCom Berhad	2.0%
Gourmet Master Co Ltd	1.7%

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 28 April 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	1.98	-0.03	5.64	1.74	1.85	6.95	19.59
Benchmark	0.14	0.23	2.02	-1.37	4.84	4.28	14.30

** 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 fixed income market saw volatility subside in April as growth and inflation outlook moderated. Most economy data printed weaker as past cumulative monetary tightening took effect. Nonetheless, persistent pressure from core inflation remained a key concern for many economies. US Treasury yield curve inverted further due to a combination of lingering systemic risk in its banking sector, and a consensus of 25 basis points ("bps") policy rate hike in May from the US Federal Reserve. 2-year, 10-year, and 30-year US Treasury ended the month at 4.01% (-2 bps), 3.42% (-4 bps), and 3.68% (+2 bps) respectively.

- On local fixed income, the 10-year MGS yield tumbled 19 bps to close at 3.71% in the month. Inflation in Malaysia eased to 3.4% in March 2023 from 3.60% in February. However, core CPI remained sticky at 3.80% versus 3.90% in February. Bond investors also took cues from of Bank Negara Malaysia's (BNM) Annual Report 2022 which was perceived as hawkish. With state elections slated to be held in coming months, we expect a ratcheting up of political noise that could lead dissuade any significant increase in foreign inflows.

- In Asia, the broader MSCI Asia ex-Japan index closed 2.20% lower in April dragged down by losses in China and Taiwan. Despite stronger than expected economic growth, the MSCI China index fell 5.20% as simmering US-China tensions weakened sentiment. According to Financial Times, Washington had asked South Korea to urge its chipmakers to hold back from boosting sales to China if Micron is banned as a result of an investigation by Beijing.

- On the domestic front, the local market treaded lightly with the benchmark KLCI barely unchanged at -0.50%. During the month, Prime Minister Datuk Seri Anwar Ibrahim returned from a work trip in China having secured RM 170 billion worth of potential foreign direct investments.

- These included an agreement by China's Rongsheng Petrochemical Co Ltd which plans to commit up to RM 80 billion for a refining facility in Pengerang, Johor. Zhejiang Geely Holding Group also committed an initial investment of RM 2 billion coupled with future investments totalling up to RM 32 billion to firm up the next phase of its collaboration with Proton for the Automotive High Tech Valley in Tanjong Malim, Perak. While the planned investments are still at the preliminary phase, the oil gas sector as well as companies in the country's auto supply chain stands to benefit should it materialise.

STRATEGY:

- Given recent market weakness mainly due to macro concerns of foreign banking crisis and global recessionary fears in United States ("US) and Europe, we are optimistic in Asia market landscape and don't expect much contagion effect as Asia regional banks are well capitalized. Despite periods of elevated volatility in April, major asset classes remain within the ranges of major indexes. This range-bound price action largely reflects a more robust economy than most of us expected, facing off against central banks determined to defeat high inflation.

- Local bond market has stabilized and performed relatively well in comparison to previous years, and market is now pricing in for the Fed to pause its rate hike cycle in 2H2023. Bond valuations have become attractive coming into 2Q2023. We will actively deploy cash back into good fundamental and quality Investment Grade credits via primary issuances pipeline in 2Q23 in both corporate as well as government issuance. We will also increase the portfolio exposure to Ringgit sukuk (Islamic Bond) market, as bond yields are quite attractive.

- The fund's fixed income exposure was kept at approximately 69% and we plan to lengthen its duration to around 5.5 to 6.0 years, while equity exposure is maintained to around 26% with the rest in liquid asset. For equities, we are positive on the reopening theme and prefer Asian equity markets for its attractive valuation and stronger growth outlook supported by China's recovery theme which provided a positive buffer for Asia's growth outlook. Asia has been more resilient in weathering thru the ripple effect and slowdown of developed markets, the tightening financial conditions and earning deterioration. Nevertheless, we will remain cognizant of these risks moving forward.

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	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. 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.
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 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 : 28 April 2023