

Sun Life Malaysia

AIIMAN Select Income Fund

January 2024



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	15.47 million units (31 January 2024)	Fund Size	RM19.40 million (31 January 2024)
Unit NAV	RM1.2545 (31 January 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: <ul style="list-style-type: none">Have a moderate risk appetiteExpect incidental growth in capitalWant 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 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

Sun Life Malaysia Takaful Berhad 200501012215 (689263-M)

Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

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SECTOR ALLOCATION OF THE TARGET FUND	
Utilities	15.60%
Industrials	14.20%
Health Care	8.70%
Energy	8.50%
Financial Services	8.40%
Telecommunications	8.20%
Technology	7.90%
Real Estate	4.80%
Banks	4.80%
Consumer Staples	3.60%
Basic Materials	2.50%
Financials	2.30%
Government	1.20%
Cash & Cash Equivalent	9.30%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND (SUKUK)

Bonds Issuer	Coupon	Maturity Date	%
MMC Corp Berhad	5.64%	27.04.27	4.9%
Celcom Networks Sdn Bhd	5.27%	28.10.26	4.8%
UiTM Solar Power Sdn Bhd	6.00%	26.04.30	4.8%
WCT Holdings Bhd	5.80%	27.09.49	4.7%
YTL Power International Bhd	5.05%	03.05.27	3.6%

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

TIME dotCom Berhad	2.2%
Taiwan Semiconductor Manufac	2.2%
Tenaga Nasional Bhd	2.1%
Samsung Electronics Co Ltd	2.1%
SK Hynix Inc	2.1%

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 January 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	0.97	0.97	3.34	4.31	-1.58	11.53	25.45
Benchmark	0.96	0.96	1.95	2.70	1.50	9.64	17.88

* 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

- US equities started 2024 on a strong note underpinned by robust economic indicators that fortified the case for a soft landing. The S&P 500 index surged by 1.60% reaching a new all-time high in January. 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 with January's nonfarm payrolls (NFP) surpassing expectations, expanding by 353,000. The unemployment rate held steady at 3.70% better than the estimate of 3.80%. However, the raft of strong economic data led to a recalibration of expectations regarding aggressive rate cuts by the US Federal Reserve (Fed). At its January FOMC meeting, the Fed opted to keep benchmark rates unchanged, but pushed back on the timing of potential rate cuts until the central bank saw more concrete evidence of inflation easing.
- In Asia, the broader MSCI Asia ex-Japan fell 5.50% pressured by higher bond yields as rate cut bets were dialled back. China equities bore the brunt of the selloff with the MSCI China index sliding 10.50% as its domestic economy continues to struggle. China's 4Q'2023 GDP data fell short of estimates with the economy expanding by 5.20% in the October to December period, culminating in full-year GDP growth of 5.20%. The disappointment extended to retail sales in December, growing by 7.40% y-o-y missing the forecast of 8%.
- During the month, the People's Bank of China (PBoC) took a significant policy step, announcing a 50 bps cut in the reserve ratio requirements (RRR) for banks. Despite the initial boost from the stimulus, market gains quickly petered out later in the month due to a lack of more forceful stimulus measures to revitalise economic growth.
- Meanwhile, Taiwan's elections saw Vice President Lai Ching-te from the ruling Democratic Progressive Party (DPP) emerging victorious in the presidential race. However, the DPP lost its parliamentary majority as opposition parties made significant inroads. With results largely at a status quo, the election outcome is unlikely to bring any significant change to Taiwan's political status or lead to an escalation between US-China.
- January 2024 was a resilient month for Malaysia's fixed income market. Despite a series of robust economy data from the US, optimism prevailed as investors expect a dovish tilt from global central banks in 2024, driving global bond yields lower which subsequently spilled over to Malaysia.
- US headline CPI rose by 3.4% yoy (November: 3.1%) in December while core CPI eased to 3.9% (November: 4.0%) – signifying a long road for the US Federal Reserve to achieve price stability target of 2.0%, especially with geopolitical tension elevating commodity prices. Unemployment rate was held low at 3.7% (November: 3.7%), pointing towards a robust US economy. Nonetheless, market participants drew comfort that most developed economies have approached their terminal rates, and monetary policies should ease as we enter 2024.
- Domestically, Bank Negara Malaysia (“BNM”) kept Overnight Policy Rate (“OPR”) unchanged at 3.00% with a neutral statement. Headline CPI was also flat at 1.5% yoy (November: 1.5%) amid absence of material subsidy rationalisation.

STRATEGY:

- Increased cash level of the fund to approximately 10% in order to opportunistic redeploy in the near future.
- The portfolio was a net seller during the month, with divestment in a sukuk paper, predominantly from a toll concessionaire issuer. The proceeds were relocated towards Glove, Utilities and Technology players in the equity side.
- Continuing off equity, the fund continues to overweight exposure in Taiwan and Korean tech on higher earnings growth due to cyclical rebound and exposure to the AI theme.
- As for fixed income, the fund selectively participates in primary corporate bond / sukuk issuance for yield pick-up.
- The manager expects the yields to be range-bound with a downward skew in near-term but cautious on front-loaded rate cut expectations from the Fed. Portfolio duration is kept within 4.2 years and portfolio yield around 3.9%.

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 : 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 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.