

Sun Life Malaysia

AIIMAN Select Income Fund

July 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	15.01 million units (30 June 2023)	Fund Size	RM18.22 million (30 June 2023)
Unit NAV	RM1.2140 (30 June 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: <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

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SECTOR ALLOCATION OF THE TARGET FUND

Industrials Utilities	17.20%
Utilities	15.70%
Financial Services	10.50%
Technology	8.70%
Energy	8.50%
Telecommunications	8.00%
Real Estate	4.70%
Banks	4.70%
Consumer Staples	3.50%
Health Care	2.90%
Consumer Discretionary	2.70%
Financials	2.40%
Government	1.20%
Basic Materials	1.00%
Cash & Cash Equivalents	8.30%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND (SUKUK)

Bonds Issuer	Coupon	Maturity Date	%
Lebuhraya DUKE Fasa 3 Sdn Bhd	5.95%	23.08.34	4.80
MMC Corp Berhad	5.64%	27.04.27	4.80
Celcom Networks Sdn Bhd	5.27%	28.10.26	4.80
UiTM Solar Power Sdn Bhd	6.00%	26.04.30	4.60
WCT Holdings Bhd	5.80%	27.09.49	4.60

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

TIME dotCom Berhad	2.00%
Samsung Electronics Co Ltd	1.90%
Hartalega Holdings Bhd	1.40%
Tenaga Nasional Bhd	1.40%
Tencent Holdings Ltd	1.40%

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 July 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	3.52	0.37	0.94	4.16	-2.03	8.96	21.40
Benchmark	1.30	1.71	0.74	2.76	-0.92	5.65	15.62

* 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

- In Asia, the broader MSCI Asia ex-Japan index rose 5.68% lifted by stimulus optimism in China. The MSCI China index vaulted 9.30% as top party leaders unveiled measures at its Politburo meeting to reinvigorate growth in the country. Among the measures include a pledge by Beijing to provide stimulus support for its beleaguered property sector. Top party leaders also emphasised the need for measures to tackle youth unemployment as well as accelerate the issuance of local government special bonds to spur government investment. While there were no explicit announcements of blockbuster stimulus, the overall policy tone from the Politburo meeting did exceed expectations. There was an acknowledgement of pressing issues on-the-ground that could result in targeted easing measures to bolster growth and lift sentiment.
- On ("United States") US front, during the month, the US Federal Reserve ("Fed") delivered a 25 bps rate hike that was well priced-in. Fed Chair Jerome Powell stopped short of saying that the US central bank is done with raising rates, but maintained that there were encouraging signs that inflation is trending downwards. The core personal consumption expenditure ("PCE") price index which is the Fed's preferred gauge of inflation reached 4.10% on a yearly basis, down from 4.60% in May and below the market forecast of 4.20%. Treasury yields edged higher with the benchmark US 10-Year Treasury yield rising 12 bps settling at 3.96%.
- On local fixed income, the 10-year Malaysia government securities yield dipped 2 bps to close at 3.83%. Bank Negara Malaysia kept the overnight policy rate ("OPR") unchanged during its policy meeting in July, citing that the current OPR level remains accommodative.
- In terms of macro data, Malaysia headline inflation continued its downward trend, easing to 2.4% year-on-year in June compared to 2.8% year-on-year in May. The YTD June inflation stands at 3.2%, well within Bank Negara Malaysia's (BNM) forecast. We also saw easing on core inflation to 3.1% year-on-year in June compared to 3.5% year-on-year recorded in May. On a month-on-month basis, core inflation increases by 0.2%. We expect this downward trend to continue due to lagged effect from the interest hike by BNM. There will also be base effect since Malaysia's peak inflation was recorded in the second half of 2022. With most subsidies remaining in place, we believe upside risk on inflation is contained. Therefore, we believe BNM will maintain the current OPR for the rest of the year.

STRATEGY:

- Within Asia, Korea and Taiwan outperforming due to expectations of the ending of the cyclical downturn in the semiconductor sector. Preference remains with Korea currently as valuation remains attractive. Equity exposure has reduced to 25% by taking profit from Taiwan and re-deploying into Sector specific in China such as China Cement and Internet.
- In Malaysia, lower government bond supply in 2H2023, easing inflationary pressure and resilient demand from domestic investors to provide support. However, heavy duration supply in August may see market turns defensive. State election across 6 states would be coming up on 12 August 2023, but this would probably be noise to financial markets as it wouldn't affect the federal government much. As such, we expect a range bound yield movement in the near term as market reacts to headline risks.
- In August, we are tactically switching to neutral duration in relative to benchmark. We continue to prioritise liquidity and quality papers with preference for senior debt participation.
- We raised cash level from 4.0% to 8.0% in July, to deploy opportunistically in August. For the Fixed Income Portion, favour trading stance for government bonds. We also prefer to participate in primary corporate sukuk issuances for allocation and yield pickup.
- Transaction wise, the fund was marginally net seller during the month of July. Notable purchases was An Hui Conch Cement Co Ltd.

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 July 2023

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.