

# Sun Life Malaysia

## Select Asia (ex Japan) Quantum Fund

December 2022



### 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	18.87 million units (30 December 2022)	Fund Size	RM31.94 million (30 December 2022)
Unit NAV	RM1.6927 (30 December 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad (FKA Affin Hwang Asset Management Berhad)	Target Fund	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	<p>Suitable for investors:</p> <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)

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## SECTOR ALLOCATION OF THE TARGET FUND

Financials	22.0%
Consumer Discretionary	21.8%
Industrials	20.4%
Health Care	13.3%
Technology	8.3%
Consumer Staples	4.9%
Cash & Cash Equivalents	9.3%
<b>Total</b>	<b>100.0%</b>

## TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

Shriram Finance Ltd	5.0%
Hainan Meilan Intl Airport Co	4.5%
Hugel Inc	4.3%
CSOP Hang Seng TECH Index ETF	4.3%
Tam Jai International Co Ltd	3.8%
Yinson Holdings Berhad	3.3%
Mitra Adiperkasa Tbk PT	3.2%
Morimatsu Intl Hldings Company	3.1%
AK Medical Holdings Ltd	3.0%
Yuexiu Transport Infra Ltd	3.0%
<b>Total</b>	<b>37.5%</b>

## PERFORMANCE RECORD

The Fund feeds into Affin Hwang 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 30 December 2022:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	-2.92	2.15	7.21	-2.92	37.52	27.66	69.27
<b>Benchmark</b>	-17.86	-1.54	-1.24	-17.86	22.00	1.93	45.61

\* 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 markets tumbled in December capping off a turbulent 2022 as soaring inflation and tighter monetary policy jolted equities. The S&P 500 index ended 5.9% lower as the US Federal Reserve (Fed) delivered a 50 bps rate hike at its policy meeting last month, ending its 4 consecutive jumbo 75bps interest rate hike rates before. However, sentiment remained muted as prospects of a much-anticipated Fed pivot dimmed. In a speech, Fed Chair Jerome Powell stated it was too early yet to declare victory against inflation and guided for further but smaller rate hikes. The Fed also increased its terminal rate projection from 4.6% to 5.1% in 2023.
- The MSCI Asia ex-Japan closed flat at -0.4% as a weakening US dollar saw foreign investors ploughing back into the region. The MSCI China index soared 5.2% as China shifts away from its strict zero-COVID policy and unwind its restrictions.
- As China fully reopens, we expect the country to be a strong source of growth especially for Asia due to strong pent-up demand and resumption of outbound tourism.
- China's path to reopening is expected to be riddled with volatility as infections surge and hospitalisations rise. However, it is unlikely that China would embark on any policy U-turn in its reopening plans with clear policy directions from the top. As China fully reopens, we expect the country to be a strong source of growth especially for Asia due to strong pent-up demand and resumption of outbound tourism.
- Korea's chip output falls most since Global Financial Crisis as chipmakers brace for weak global demand amid oversupply. The contraction is expected to weigh on the nation's overall industrial activity.

#### STRATEGY:

- Growth and earnings are the biggest challenges for 2023, hence we are not completely out of the woods. China's reopening is likely an offset for weak global growth. China will recover on the back of major shifts in key policies. Valuation is attractive but the recovery will take time. US earnings expectation looks set to fall further. Valuation will need to come off more before the market looks attractive.
- We would continue to seek and hold stocks with the Quality Growth at Reasonable Price characteristic. These stocks offer an ideal balance of long term growth prospects, thematic relevance and digestible valuations, though there may be short-term headwinds.
- We continued to add into the Hong Kong / China market on the back of China reopening, including a Taiwan server IC design firm, and a China semiconductor equipment maker. Other additions include an India restaurant operator, India's largest airport service aggregator platform, a Thai spa wellness chain, and a Singapore banking system service provider. We also took profit on by exiting a Chinese shipbuilder.
- The fund's invested level was increased to 91%, following the aforementioned additions. While we have made selective additions to the portfolio, we look to maintain some cash buffer.

## 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 : 30 December 2022

#### 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.