

### 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 | 14.40 million units<br>(31 January 2022)   | Fund Size    | RM17.38 million<br>(31 January 2022)   |
| Unit NAV             | RM1.2063<br>(31 January 2022)  | Dealing      | Daily<br>(as per Bursa Malaysia trading day)   |
| Fund Manager         | Affin Hwang Asset Management Berhad  | Target Fund  | Affin Hwang Aiiman Select Income Fund  |
| Benchmark            | 70% 12-month Maybank General Investment Account (GIA) + 30% FTSE Bursa Malaysia EMAS Shariah Index (FBMSHA)  | Taxation     | 8% of annual investment income   |
| Risk Profile         | Suitable for investors: <ul style="list-style-type: none"> <li>Have a moderate risk appetite</li> <li>Expect incidental growth in capital</li> <li>Want an investment that complies with Shariah requirements</li> </ul> | Fees         | <ul style="list-style-type: none"> <li>Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia AiIMAN Select Income Fund.</li> <li>1.2% p.a. fund management charge is applied on the target fund's NAV by Affin Hwang Asset Management Berhad.</li> </ul> |

### 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

## AIIMAN Select Income Fund

January 2022



### SECTOR ALLOCATION OF THE TARGET FUND

|                         |        |
|-------------------------|--------|
| Industrials             | 15.1%  |
| Utilities               | 14.4%  |
| Financial Services      | 10.5%  |
| Real Estate             | 7.2%   |
| Consumer Staples        | 7.0%   |
| Technology              | 6.9%   |
| Telecommunications      | 6.3%   |
| Consumer Discretionary  | 4.9%   |
| Banks                   | 4.0%   |
| Energy                  | 3.1%   |
| Government              | 2.0%   |
| Others                  | 7.3%   |
| Cash & Cash Equivalents | 11.2%  |
| Total                   | 100.0% |

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

| Bonds Issuer                  | Coupon | Maturity Date | %   |
|-------------------------------|--------|---------------|-----|
| Lebuhraya DUKE Fasa 3 Sdn Bhd | 5.95%  | 23.08.34      | 4.2 |
| WCT Holdings Bhd              | 5.80%  | 27.09.49      | 4.0 |
| Westports Malaysia Sdn Bhd    | 4.53%  | 01.04.27      | 3.1 |
| Tadau Energy Sdn Bhd          | 5.20%  | 27.07.23      | 3.0 |
| YTL Power International Bhd   | 5.05%  | 03.05.27      | 3.0 |

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

|                                 |      |
|---------------------------------|------|
| Singapore Telecom Ltd           | 3.2% |
| Telkom Indonesia Persero Tbk PT | 3.1% |
| Taiwan Semiconductor Manufac    | 2.3% |
| Swire Pacific Limited - CL A    | 1.7% |
| Tencent Holdings Ltd            | 1.5% |

### PERFORMANCE RECORD

This fund feeds into Affin Hwang 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 2022:

| %                | YTD   | 1M    | 6M    | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|-------|-------|-------|--------|---------|---------|-----------------|
| <b>Fund*</b>     | -1.49 | -1.49 | -3.53 | -5.37  | 7.25    | 14.28   | 20.63           |
| <b>Benchmark</b> | -1.61 | -1.61 | -0.48 | -1.72  | 6.16    | 9.67    | 14.10           |

\* 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

- Asian markets held up better with the MSCI Asia ex-Japan index down by -3.1% in January. The Hang Seng index gained 1.7% as China pledged to introduce more easing measures to aid growth and cushion an economic slowdown.
- The FBM 100 index fell 4.0%, as a deepening tech rout dampened sentiment. Bursa Malaysia Technology Index slid by 15.3% in January as the sector was rattled by the hawkish pivot by major central banks.
- The price of Brent crude oil pierced a 7-year high rising past the US\$90 per barrel level. This is stronger than the imputed figure under Budget 2022 tabled last year. Assuming the high price of oil can be sustained, this could help ease fiscal constraints and narrow the deficit.
- Bank Negara kept its Overnight Policy Rate unchanged at 1.75%. The central bank exuded a relatively neutral tone in its statement, but further hinted that its policy direction will continue to be dependent on upcoming inflation readings, as well as the domestic growth outlook.
- Malaysia's Producer Price Index (PPI) for local production increased 10% YoY in December, driven by higher prices for crude oil and natural gas. For 2021, the country's PPI increased 9.5% from a year earlier, the largest on-year annual rise in a decade.

### STRATEGY:

- The fund's fixed income exposure was increased to around 62%, while equity exposure was reduced to around 27%.
- Unlike the Federal Reserve's hastened normalization to curb the rise in inflation expectations, we think the more benign inflation outlook in Malaysia affords BNM some flexibility in staying a few steps behind the Fed's pace.
- We expect inflation to persist at +2.5% to +3.0% in 2022, driven by supply side disruption. In the past, BNM neutral rate against core inflation was ranging between +/- 1.0%
- The current MGS bond yields have priced in 3-4 rate hikes. We do believe this is too aggressive and most Asian central banks prefer to stay accommodative for longer to sustain their recoveries. On this note, we view BNM to hike in 2H2022 by 25 to 50bps depending on growth trajectory.
- We believe the MGS fair value to be around 20-30bps lower than current market levels, based on historical spread. However, large supply in 1H2022 and elevated UST could keep yields under some pressure.
- *Rates strategy:* Yields had risen higher YTD but large bond supply and UST volatility may not augur well for this space. We take a trading stance on government bonds between 5-15 years
- *Credit strategy:* Prefer stronger and higher rated names, within the 5-10 years rang and to participate in primary issuances for better yield.
- *Duration strategy:* Remain cautious and to maintain shorter duration than benchmark. We expect meaningful yield compression to only occur in 2H22.
- For equities, we will remain highly invested, and our key themes are technology (driven by secular growth trends) and healthcare (reopening play).

## RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

|   |  |
|---|--|
| <b>Manager's Risk</b>                             | 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.  |
| <b>Inflation Risk</b>                             | 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.  |
| <b>Credit/Default risk</b>                        | 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.   |
| <b>Counterparty risk</b>                          | 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.   |
| <b>Interest rate risk</b>                         | <p>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.</p> <p>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.</p> |
| <b>Stock Specific Risk</b>                        | 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.  |
| <b>Shariah-compliant warrants investment risk</b> | 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 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 : Affin Hwang Asset Management Berhad**

**Date : 31 January 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.