Sun Life Malaysia
Select Asia (ex Japan) Quantum Fund

July 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	19.50 million units (29 Jul 2022)	Fund Size	RM31.06 million (29 Jul 2022)
Unit NAV	RM1.5926 (29 Jul 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	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	Suitable for investors: ▪ Have a medium to long term investment horizon ▪ Are risk tolerance ▪ Are seeking higher returns for their investments compared to the performance benchmark	Fees	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Asia (ex Japan) Quantum Fund ▪ Up to 1.5% p.a. of fund management charge is applied on the target fund's NAV by Affin Hwang Asset Management Berhad

ASSET ALLOCATION OF THE TARGET FUND

Equities	Cash
Minimum 70%; Max 100%	Remaining Balance

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SECTOR ALLOCATION OF THE TARGET FUND

Financials	27.9%
Consumer Discretionary	18.5%
Industrials	18.4%
Technology	9.3%
Health Care	5.5%
Consumer Staples	5.2%
Basic Materials	2.1%
Energy	1.8%
Cash & Cash Equivalents	11.3%
Total	100.0%

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

CSOP Hang Seng TECH Index ETF	6.5%
Shriram City Union Finance Ltd	5.4%
Mitra Adiperkasa Tbk PT	4.6%
Lemon Tree Hotels Limited	4.0%
Ciputra Development Tbk PT	3.5%
Novo Tellus Alpha Acquisition	3.4%
Hugel Inc	3.3%
Yinson Holdings Berhad	3.3%
Yuexiu Transport Infra Ltd Hainan	3.2%
Samsonite International SA	3.0%
Total	40.2%

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 29 July 2022:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	-8.66	0.87	-4.50	-16.26	35.96	14.70	59.26
Benchmark	-14.76	2.49	-9.52	-15.08	30.53	11.40	51.10

** 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.

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FUND MANAGER'S COMMENTS

- US equities surged in July bolstered by dovish comments from the US Federal Reserve and a stellar set of earnings results that boosted sentiment. The S&P 500 index climbed 9.1% as the Fed delivers on a widely expected 75 bps interest rate hike at its FOMC meeting last month.

- The broader MSCI Asia ex-Japan index declined by 1.7% mainly dragged down by losses in China as a growing wave of mortgage boycotts by homebuyers spooked investors.

- The MSCI China index lost 10.0% as policymakers moved to quickly shore up confidence in the property sector. Other Asian markets including Korea and India performed better with the latter benefitting from lower commodity prices which helped quell inflationary pressure.

- Markets were relieved as a long-drawn-out cybersecurity investigation of Didi finally came to a close. Markets took the closure sends a signal that Beijing will finally halt its crackdown on the tech sector that was hampered by regulatory uncertainty in the past year.

- China's GDP missed expectations only growing by 0.4% y-o-y in Q2, as disruptive COVID lockdowns shaved off growth. This means that China's GDP only grew by 2.5% in the first half of the year. To still achieve its full year GDP target of 5.0%, it would need to accelerate growth by 7.5% in the second half of the year, which could be a difficult feat.

STRATEGY:

- Macro fundamentals remain challenging while inflationary pressures are coming off, growth indicators are weakening and policy makers are still in a tightening phase.

- 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.

- The fund's invested level remains at 89%, with the intention to maintain some buffer with higher cash levels as the Fund stays defensive. We're comfortable with current portfolio positioning while we monitor earnings releases.

- Over the month, we have exited a position in a Chinese property developer amidst ongoing uncertainties in the sector, while we initiated a position in a Taiwanese healthcare supplier, which would benefit from easing lockdowns in China and structural rise in penetration rate for its product.

- Structural growth names and economic reopening themes make up bulk of the fund, while cyclicals exposure is kept at around 20% of the fund.

RISKS

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

Market risk	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.
Stock specific risk	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.
Credit and default risk	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.
Interest rate risk	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.
Warrants investment risk	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.
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. 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. <u>Currency risk at the target fund level</u> 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 : Affin Hwang Asset Management Berhad
Date : 29 July 2022

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