

# Income Ideas for Your Portfolio

Prepared by: AHAM Asset Management

There is a common belief that income investing is only relevant to retirees or those nearing retirement age. However, this overlooks the pivotal role of income as a powerful driver of total returns in an investment portfolio.

Income investments offer a dual advantage of stability and growth potential, making them an attractive option even for investors accustomed to the safety of cash. By diverting a portion of your cash holdings into income-generating assets, you not only safeguard your capital against inflation, but also unlock the power of compounding.

While cash sits idle, income-generating assets such as investment grade bonds, dividend stocks, and infrastructure assets work to generate regular income streams. This income can then be reinvested, compounding your returns over time and fuelling your portfolio's growth potential.

Moreover, income investments contribute to building a more defensive portfolio by mitigating overall volatility and smoothing returns. This becomes particularly crucial during market downturns, where a reliable income stream can act as a financial cushion.

In the current market landscape where interest rates remain high, investors find themselves in prime position to lock-in attractive yields, with access to a plethora of asset classes that provide opportunities for generating income. Here are some ideas that investors can consider for their portfolios in 2024 to boost their income potential.

## Investment Grade Bonds

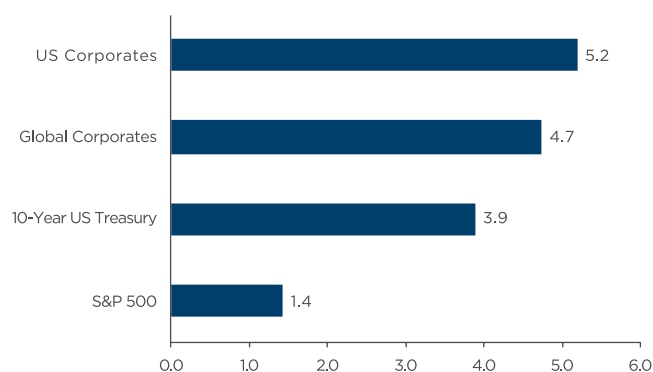
Investment grade bonds serve as a bedrock of stability within investment portfolios, particularly during periods of economic uncertainty or market volatility. These bonds are issued by companies with strong credit ratings, making them relatively low-risk investments compared to their higher-yield counterparts.

Investors in investment grade bonds receive regular interest payments, known as coupon payments, throughout the life of the bond. These payments provide a reliable income stream, while the principal investment is typically returned upon maturity, ensuring capital preservation.

By allocating a portion of their portfolio to investment grade bonds, investors can enhance overall portfolio stability and mitigate downside risk. Given their inverse correlation

to equities, this asset class can act as a counterbalance, providing a cushion during turbulent market conditions.

Chart 1: Steady Income from US Investment Grade Bonds



Source: ICE Data Services, FactSet, JPMorgan. Data as of December 2023. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Indices are unmanaged and an individual cannot invest directly in an index. Please consider the risks at the end of this presentation.

## High-Yield Bonds

High-yield bonds, also known as junk bonds, are issued by companies with lower credit ratings, offering higher yields to compensate for the increased risk of default. While high-yield bonds carry greater credit risk compared to investment-grade bonds, they can provide investors with a higher level of income. However, it's essential to carefully evaluate the credit quality of issuers and diversify across a range of bonds to mitigate default risk.

## Dividend Stocks

Another common source of income generation is dividend investing. By focusing on companies with a history of consistent dividend payments, investors can build a portfolio that delivers regular income while benefiting from potential capital appreciation. Dividend-paying stocks often belong to established companies with strong balance sheets, making them a reliable source of income even during periods of market volatility. Furthermore, investors can enjoy equity upside especially when the underlying companies are able to consistently grow their business, providing outsized income potential over time.

## Infrastructure

Infrastructure represents another compelling income idea for investors seeking stable and reliable cash flows. These assets, such as toll roads, airports, and utilities, offer an additional source of diversification within investment portfolios. One of the key advantages of infrastructure investments is the long-term contractual nature of the assets, which ensures a steady income stream over time.

Unlike other sectors, infrastructure assets tend to have predictable revenue streams that are less influenced by short-term market fluctuations or economic cycles. The income generated from these assets is often linked to the asset base of the companies rather than the business cycle, providing investors with a stable income stream over the long term.

## Equities with Covered Call Options

Equities serve as the cornerstone of many investment portfolios, offering the potential for substantial capital appreciation. However, investors can further enhance the returns from their equity holdings by incorporating covered calls into their strategy. Covered calls involve selling call options on existing equity holdings, allowing investors to generate additional income through premium payments.

By selling call options, investors effectively agree to sell their shares at a predetermined price (the strike price) within a specified timeframe. In return, they receive an upfront

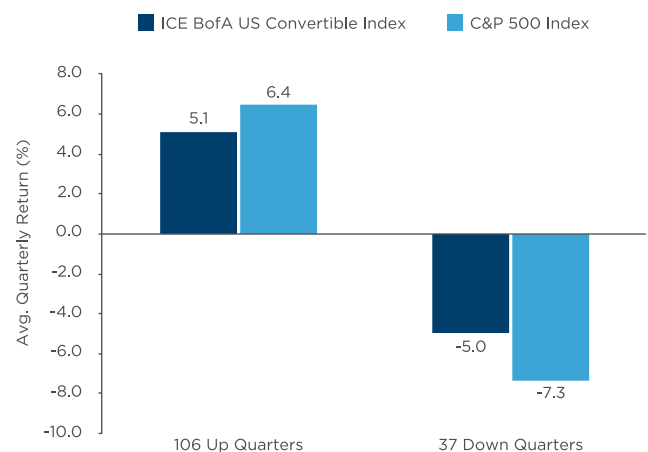
payment (the premium) from the buyer of the call option. If investors expect the stock market to be increasingly volatile, they may sell a call option against a long stock position and use the premium earned to cover part of the market drop. As such, the income generated from covered calls can provide a buffer against losses, helping to stabilise overall portfolio returns.

## Convertible Bonds

Convertible bonds offer investors a unique hybrid security that combines the income-generating qualities of fixed income with the growth potential of equities. These bonds come with a conversion option that allows investors to exchange the bond for a predetermined number of shares of the issuing company's stock. In short, it gives investors the best of both worlds: bond-like protection on the downside, equity-like gains on the upside.

By holding convertible bonds, investors benefit from regular interest payments, providing a steady income stream. At the same time, they have the opportunity to participate in the potential upside of the underlying equity, should the company's stock price appreciate significantly. This dual nature of convertible bonds makes them an attractive option for investors seeking to diversify their income sources while maintaining exposure to potential capital growth.

**Chart 2: Convertible Bonds Offer Upside Participation & Downside Protection**



Past performance does not predict future returns. Investors cannot invest directly in an index. Index returns are presented as net returns, which reflect both price performance and income from dividend payments, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Source: FactSet, ICE Data Services, Voya Investment Management, Morningstar. Data as of January 1988 to December 2023. See Important Risk Considerations at the back of this presentation.

## Taking a Multi-Asset Approach to Income

A multi-asset approach to income investing allows investors to tap into various income streams while reducing overall portfolio volatility. By integrating diverse income-generating strategies into their portfolios, investors can create a well-rounded investment portfolio that is resilient across different market conditions.

## Global

- AHAM Smart Invest Portfolio - Income
- AHAM World Series - Global Income Fund
- AHAM World Series - Global Corporate Bond Fund
- AHAM World Series - Global High Income Fund
- AHAM World Series - US Short Duration High Income Fund
- AHAM Aiiman Global Sukuk Fund



## Asia

- AHAM Select Bond Fund
- AHAM ESG SGD Bond Fund
- AHAM RMB Bond Fund
- AHAM World Series - Asian High Yield Fund



# Our Income Solutions



- AHAM World Series - Income and Growth Fund
- AHAM World Series - Income Fund
- AHAM Select Income Fund
- AHAM Aiiman Select Income Fund
- AHAM Select Balanced Fund
- AHAM Aiiman Balanced Fund
- AHAM Select AUD Income Fund
- AHAM Select SGD Income Fund

## Multi Asset



- AHAM World Series - Global Infrastructure Income Fund
- AHAM World Series - Global Dividend Growth Fund
- AHAM Select Dividend Fund
- AHAM World Series - Dividend Value Fund
- AHAM Select Asia Pacific (ex Japan) Dividend Fund

## Equity Income

**WARNING STATEMENT:** A copy of the Prospectus, Supplemental Prospectus (if any), Information Memorandum ("Info Memo"), Supplemental Info Memo (if any) and Product Highlights Sheet ("PHS") can be obtained at AHAM Asset Management Berhad's ("AHAM Capital") sales offices or at [aham.com.my](http://aham.com.my). Investors are advised to read and understand the contents of the AHAM Smart Invest Portfolio - Income Prospectus dated 22 November 2022; AHAM Select Bond Fund Prospectus dated 22 November 2022; AHAM Select Income Fund Prospectus dated 22 November 2022; AHAM Select AUD Income Fund Prospectus dated 22 November 2022; AHAM Select SGD Income Fund Prospectus dated 22 November 2022; AHAM Aiiman Global Sukuk Fund Prospectus dated 27 February 2023; AHAM Aiiman Balanced Fund Prospectus dated 27 February 2023; AHAM ESG SGD Bond Fund Prospectus dated 29 September 2023; AHAM World Series - Income and Growth Fund Prospectus dated 29 September 2023; AHAM Aiiman Select Income Fund Prospectus dated 28 April 2023; AHAM Select Balanced Fund Prospectus dated 17 March 2023; AHAM Select Dividend Fund Prospectus dated 30 December 2022; AHAM Select Asia Pacific (ex Japan) Dividend Fund 30 December 2022; AHAM World Series - Global Income Fund Info Memo dated 15 December 2023; AHAM World Series - Global High Income Fund dated 15 December 2023; AHAM World Series - Global Infrastructure Income Fund Info Memo dated 15 December 2023; AHAM World Series - Global Dividend Growth Fund Info Memo dated 15 December 2023; AHAM World Series - Dividend Value Fund Info Memo dated 15 December 2023; AHAM World Series - Asian High Yield Fund Info Memo dated 15 December 2023; AHAM World Series - US Short Duration High Income Fund dated 15 December 2023; AHAM World Series - Global Corporate Bond Fund Info Memo dated 2 August 2023 and First Supplemental Info Memo dated 28 February 2024; AHAM RMB Bond Fund Info Memo dated 7 August 2023 and First Supplemental Info Memo dated 28 February 2024; AHAM World Series - Income Fund Info Memo dated 9 May 2023 and First Supplemental Info Memo dated 28 February 2024; and the corresponding PHS before investing.

There are fees and charges involved when investing in the Fund. Investors are advised to consider the fees and charges as well of the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and past performance of the Fund should not be taken as indicative of its future performance. The Securities Commission Malaysia takes no responsibility for the contents of this marketing / promotional material and expressly disclaims all liability, however arising from this marketing / promotional material.