

Sun Life Malaysia Select Bond Fund

August 2022



FUND OBJECTIVE

To provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

FUND DETAILS

Launch Date	16 January 2018	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	6.87 million units (30 August 2022)	Fund Size	RM7.38 million (30 August 2022)
Unit NAV	RM1.0736 (30 August 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Affin Hwang Asset Management Berhad	Target Fund	Affin Hwang Select Bond Fund
Benchmark	Maybank 12-Month Fixed Deposit Rate	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: <ul style="list-style-type: none">Have a medium to long term investment horizonRisk averse and conservative	Fees	<ul style="list-style-type: none">Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond FundUp to 1.0% p.a. of fund management charge is applied on the Target Fund's NAV by Affin Hwang Asset Management Berhad

ASSET ALLOCATION

Bonds	Cash	Money Market Instruments/Deposits
Min 70%; Max 100%	Remaining Balance	Min 0%; Max 30%

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SECTOR ALLOCATION OF THE TARGET FUND

Banks	18.8%
Real Estate	14.3%
Industrials	11.0%
Government	10.7%
Financial Services	10.1%
Energy	5.7%
Insurance	4.9%
Basic Materials	3.8%
Consumer Discretionary	3.3%
Utilities	2.8%
Telecommunications	1.8%
Consumer Staples	0.7%
Others	1.0%
Cash & Cash Equivalents	11.0%
Total	100.0%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
MGS	4.64%	07.11.33	2.0
Yinson Juniper Ltd	8.10%	29.03.49	2.0
GII	3.73%	31.03.26	2.0
Yinson Juniper Ltd	7.85%	05.10.49	1.9
GII	4.12%	30.11.34	1.5
MGS	3.76%	22.05.40	1.4
Phoenix Group Holdings PLC	4.75%	04.09.31	1.3
DNB Bank ASA	4.88%	12.11.49	1.3
Dialog Group Bhd	4.15%	16.11.49	1.2
Geely Automobile Holdings Ltd	4.00%	09.12.49	1.2

PERFORMANCE RECORD

This fund feeds into Affin Hwang Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 30 August 2022:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
Fund*	-6.89	0.71	-1.27	-3.49	-9.65	-1.61	7.36
Benchmark	1.34	0.20	0.56	1.04	1.96	6.59	12.49

* 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

- The US 10 Year Treasury yield settled 54bps higher at 3.19% as at end August compared to 2.66% the month before, largely due to hawkish tones from Powell's speech at Jackson Hole. Fed Fund futures are currently pricing in another +125bps hike in total by end 2022, with a peak rate of 3.75%
- US CPI inflation increased by 8.5% year-on-year in July, down from 9.1% in June. Monthly, the CPI was flat in July after rising for 25 consecutive months, The decline was largely contributed by falling energy prices, potentially providing relief that inflation will start to decline.
- Several Asian central banks including Bank of Korea, Bank of Thailand and Bank Indonesia raised their policy rate by 25bps in August, as the countries battle against inflation while supporting their local currency as the US Dollar continues to strengthen.
- China's central bank announced a key interest rate cut in order to spur credit demand. The People's Bank of China said it was lowering the rate on CNY400.0 billion (US\$59.3 billion) of on-year medium-term lending facility loans to some financial institutions by 10 bps to 2.75% from 2.85%. Chinese regulators provided liquidity support to selected developers including Longfor, Country Garden and CIFU via new onshore bond guarantees which will be underwritten by several state-owned firms.
- MGS had been resilient despite US Treasury weakness, supported by steady demand. 10Y MGS yield ended August at 3.99%. Meanwhile, a 20-year GII primary auction of RM5.5 billion in size posted a strong bid-to-cover ratio of 2.7x at an average yield of 4.41%, despite the larger-than-usual- issuance size.

STRATEGY:

- The Fed tightening and withdrawal of liquidity remain the key headwinds in the near term. However, bond yields have priced in substantial rate hikes. On the other hand, growth outlook is increasingly challenging which argues for positioning in long term bonds.
- We remain cautious on Chinese property market as sentiment remains weak. More urgent and material policy response on China property sector is key to turnaround and prevent further contagion. Asian HY valuations are attractive, but we would need to be very selective on credit names.
- Cash level was slightly increased to around 11%, with the Fund intending to stay defensive.
- Duration positioning remains short at around 4.4 years. However, we are looking to gradually nibble into higher rates duration due to aggressive market pricing and rising recession risk. The current fixed income yield is at 7.0%.
- For credits, we are cautious and intend to keep some cash buffer, sticking to short-term credits to generate income and reduce volatility. Meanwhile, we see opportunities emerging in various Investment Grade space such as China tech, selective China property, Malaysia credits and selective high quality US credits. The breakdown of IG versus HY and unrated bonds remains at around 63% and 26% respectively.

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.
Liquidity risk	Liquidity risk refers to 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.
Credit and default risk	Credit risk relates to the credit worthiness of the issuers of the bonds or money market instruments ("Investment") and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer 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 bonds or money market instruments ("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.
Currency risk	<p>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. Investors 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.</p> <p><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 may result in a depreciation of the value of the investments as expressed in the base currency of the target fund.</p>

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Structured products risk

The NAV of the target fund will be impacted by the valuation of the structured product. Factors that may impact the valuation of the structured products will include, but not be limited to movement of the underlying assets, volatility of the underlying assets, interest rate levels, the correlation of the underlying assets and other such factors. Any change in the aforesaid factors would either positively or negatively impact the valuation of the structured products, hence impacting the NAV of the target fund. As such, the target fund's NAV will be exposed to potential price volatility, which will be dependent on the valuation of the structured products that the target fund invested in.

Country risk

Investments of the target fund in any country may be affected by changes in 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.

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 investors' interest or diminish returns to the target fund.

Source : Affin Hwang Asset Management Berhad

Date : 30 August 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.