

Sun Life Malaysia Select Bond Fund

December 2023



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	8.72 million units (29 December 2023)	Fund Size	RM7.96 million (29 December 2023)
Unit NAV	RM1.0952 (29 December 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad	Target Fund	AHAM Select Bond Fund (FKA 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 AHAM 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	19.30%
Government	12.10%
Industrials	11.40%
Financial Services	10.60%
Real Estate	10.30%
Utilities	6.50%
Consumer Discretionary	5.40%
Energy	5.00%
Insurance	3.70%
Technology	2.90%
Basic Materials	2.80%
Telecommunications	2.60%
Others	2.80%
Cash & Cash Equivalents	4.60%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.1%	29.03.49	2.9
GII	3.7%	31.03.26	2.7
GII	4.1%	30.11.34	2.1
Dialog Group Bhd	4.2%	16.11.49	2.0
AAC Technologies Holdings Inc	3.0%	27.11.24	2.0
Celestial Miles Ltd	5.8%	31.01.49	1.9
Scentre Group Trust 2	4.8%	24.09.80	1.5
Geely Automobile Holdings Ltd	4.0%	09.12.49	1.5
YTL Power International Bhd	4.3%	24.08.29	1.4
MGS	3.5%	31.05.27	1.4

PERFORMANCE RECORD

This fund feeds into AHAM 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 29 December 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	2.15	1.28	1.95	2.15	-6.36	8.60	9.52
Benchmark	2.86	0.23	1.40	2.86	7.11	13.29	16.72

* 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 fund performance was 1.3% during the month, outperforming the benchmark by 1.0%.
- December was a strong month for global fixed income, after US Treasuries rallied following the revised Dot Plot. Key highlights from the statement and press conference include strongest signal that rates have peaked, and the dot plot pointed to multiple rate cuts in 2024.
- US inflation continued to show signs of easing, with inflation data lower than the previous month, but still some distance from the Federal Reserve's 2% target. Economic data released during the month was mixed but reaffirmed expectations of a soft landing for the economy. As a result, the US Treasury 10-year yields rallied to 4.25% (-43bps) during the month.
- In line with US, inflation data for Asian countries are also expected to ease in 2024. Property downturn to remain as main drag on China's economy in 2024.
- Malaysia's fixed income market also experienced a positive month. The demand for local bonds especially for long duration was seen with the yield curve bull flatten during the month. The yields for 3-year, 10-year, and 30-year MGS ended the month at 3.47% (-1bps), 3.73% (-10bps) and 4.25% (-6bps) respectively.

STRATEGY:

- Concerns over inflation has subsided although it is still above Fed's 2% target. The market pricing for US Fed Fund Rate has shifted lower with the revision of the latest FOMC's dot plot.
- Domestically, the moderating growth and subdued inflation continued to be supportive of the fixed income market. The lower government bond supply profile in 2024 due to fiscal consolidation is also a positive factor to the market. The domestic liquidity is ample with demand from duration coming from pension funds and lifers.
- Prefer belly to long tenor government bonds and continue to selectively participate in primary corporate bond/sukuk issuances for yield pick-up, subject to levels. Taking profit on shorter dated papers and re-investing in longer duration bonds. Continue to favour BBB rated bond within IG space, which offers better valuation as compared to other IG ratings.
- Smaller exposure to HY bonds as a slowdown in global growth could lead to more liquidity and credit rating downgrades. Close to zero exposure in China property sector as recovery expected to be slow despite policy support. Exited position in Australia energy space to take profit.
- Positioning in selective government bonds across tenors. Continue to participate in MYR primaries due to attractive yield offering.

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 : AHAM Asset Management Berhad

Date : 29 December 2023

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.