# Sun Life Malaysia Select Bond Fund

February 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 | 6.86 million units (28 February 2023) | Fund Size | RM7.52 million (28 February 2023) |
| Unit NAV | RM1.0956 (28 February 2023) | Dealing | Daily (as per Bursa Malaysia trading day) |
| Fund Manager | AHAM Asset Management Berhad (FKA Affin Hwang 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:<br>▪ Have a medium to long term investment horizon<br>▪ Risk averse and conservative | Fees | ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond Fund<br>▪ Up 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 | 19.3% |
| Real Estate | 14.8% |
| Government | 11.8% |
| Industrials | 10.7% |
| Financial Services | 8.1% |
| Energy | 6.6% |
| Insurance | 4.9% |
| Utilities | 3.7% |
| Consumer Discretionary | 3.5% |
| Basic Materials | 3.0% |
| Telecommunications | 2.4% |
| Technology | 0.8% |
| Others | 1.3% |
| Cash & Cash Equivalents | 9.1% |
| Total | 100.00% |

## TOP HOLDINGS OF THE TARGET FUND

| Bonds Issuer | Coupon | Maturity Date | % |
|---|---|---|---|
| Yinson Juniper Ltd | 8.10% | 29.03.49 | 2.4 |
| GII | 3.73% | 31.03.26 | 2.1 |
| 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 |
| Dialog Group Bhd | 4.15% | 16.11.49 | 1.3 |
| Geely Automobile Holdings Ltd | 4.00% | 09.12.49 | 1.2 |
| Santos Finance Ltd MGS | 5.25% | 13.03.29 | 1.1 |
| MGS | 4.64% | 07.11.33 | 1.1 |
| Scentre Group Trust 2 | 4.75% | 24.09.80 | 1.1 |

## 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 28 February 2023:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|---|---|---|---|---|---|---|---|
| **Fund*** | 2.18 | -0.14 | 2.05 | -1.51 | -2.69 | 10.01 | 9.56 |
| **Benchmark** | 0.46 | 0.22 | 1.35 | 2.41 | 6.43 | 13.72 | 14.01 |

** 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

- UST selloffs have been unexpectedly sharp. Key data releases since the blowout nonfarm payrolls in Feb surprised to the upside overall. US Core CPI stayed sticky, retail sales and PPI were above expectations in January. As of end February 2023, the 10-year UST yields ended the month at 3.92% (+41 bps). The UST 2y/10y yield inversion deepened by -21 bps to -90 bps, indicating further recession risk.

- Regional yields are exposed to hawkish Fed, but offer relative resilience given divergence in central bank directions vs Fed, including BNM. At the same time, US labour market remain very strong as U/R continue to drop to all time low at 3.4%. With that, Fed is likely to continue being hawkish with fading signs of a hard landing.

- In China's financial sector, Chinese regulators have recently released a proposal to amend the current capital management rules of commercial banks that will take effect in 2024 The proposed asset risk weighting adjustment led to weaker sentiment within the tier 2 market last week The amended proposal will make investment amongst banks' capital instrument effectively more expensive.

- In the China property space, home prices have stabilised since January with a faster recovery seen in Tier 1 cities. Sentiments within the sector however remains weak. Meanwhile in India, confidence for Adani Group is returning after the company's investor call Adani Group has reassured investors on key areas like the company's liquidity and upcoming maturities

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**STRATEGY:**

- Recent sets of strong economic data in US have readjusted market expectation of peak terminal rate and led to hawkish repricing. Given the accumulated impact of policy tightening and lagged impact on the economy, current strength in economic data is expected to taper off. Overall, we still expect weaker growth globally, but more clarity will be seen in the 2H of the year.

- We took profit on various positions after the strong fixed income rally in January, as we expect some corrections given overly bullish markets. The Fund selectively participated in Investment Grade primary issuances with decent 5–6% yields, and also participated in select AT1 primary issuances at attractive issued by banks with solid fundamentals.

- We continue to underweight High Yield as slowdown in global growth remains, which could lead to liquidity and downgrade pressures, and continue to underweight China property sector despite strong rally, as property sales will take a while to recover, and liquidity / funding remains challenging.

- While market sentiment has improved, our cautious stance remains at this juncture. Cash level was reduced to around 9% following the aforementioned portfolio actions, with a continued focus on quality. Duration positioning remains short at around 4.2 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.5%.

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## 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** | 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.<br><br>Currency risk at the target fund level<br>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. |

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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 : 28 February 2023***