

Sun Life Malaysia Select Bond Fund

May 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	7.46 million units (31 May 2023)	Fund Size	RM8.00 million (31 May 2023)
Unit NAV	RM1.0728 (31 May 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: <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

Government	18.20%
Banks	17.30%
Industrials	11.00%
Real Estate	9.50%
Financial Services	7.80%
Energy	7.30%
Utilities	5.30%
Insurance	4.60%
Consumer Discretionary	3.60%
Basic Materials	3.40%
Telecommunications	2.00%
Consumer Staples	0.80%
Others	2.50%
Cash & Cash Equivalents	6.70%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.6
GII	3.73%	31.03.26	2.2
United States Treasury N/B	0.00%	07.09.23	2.0
GII	4.12%	30.11.34	1.7
MGS	3.76%	22.05.40	1.6
MGS	4.89%	08.06.38	1.5
Dialog Group Bhd	4.15%	16.11.49	1.3
Santos Finance Ltd	5.25%	13.03.29	1.2
MGS	4.64%	07.11.33	1.2
United States Treasury N/B	0.00%	25.07.23	1.2

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 31 May 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	0.06	-0.55	2.31	-1.34	-4.30	8.12	7.28
Benchmark	1.18	0.25	1.43	2.66	6.53	13.61	14.83

* 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

- USTs saw a volatile month of May following US debt ceiling noise, following on from prior month of SVB collapse and US regional banking crisis which dominated headlines. Short end of USTs saw bouts of volatility ranging between 30-75bps. US Treasury yield curve inverted further. The 2-year, 10-year, and 30-year US Treasury ended the month at 4.40% (+26bps), 3.65% (+7bps), and 3.86% (+5bps) respectively.
- Economic data in the US saw inflation trend lower but still sticky. A combination of strong jobs and retail data in April, increase in real spending and still tight labour markets are keeping inflation elevated. This has pushed aside near-term recession concerns with markets repricing interest rate cuts. Several Fed speakers have cautioned against expectation of a June pause and pre-matured pricing of rate cuts, in line with FOMC March minutes. Markets are currently pricing 50% probability of +25bps in June and a full hike in July.
- All eyes will be on the US Federal Reserve (Fed) when it meets at its upcoming FOMC meeting on the 15, 16 June. Besides the labour report, the Fed would also be monitoring the upcoming consumer price index (CPI) data to decide on its next policy move. While Fed Chair, Jerome Powell has made dovish remarks, other members are leaning to a hawkish stance arguing that inflation remains strong.
- Asian investment grade (IG) bonds continued to demonstrate resilience as spreads tightened further. The high-yield (HY) space ended on a mixed note with spreads widening for China HY bonds due to weak sentiment in the property sector while non-China HY traded firmer.
- On local fixed income, the 10-year MGS yield closed unchanged at 3.71%. Malaysia's 1Q'2023 GDP came relatively strong at 5.60% compared to market expectations of 5.10% driven by an expansion of household spending and strong employment growth. The strong GDP showing may have been a factor that weighed on BNM's decision to hike the overnight policy rate (OPR) earlier in the month. Our base-case is that the OPR would remain at 3.00% this year, assuming inflation remains well-behaved and other external developments.

STRATEGY:

- While US debt ceiling noise (which is expected to be resolved) and core inflation pressure will continue to elevate market volatility, we opine that the US Federal Reserve is approaching its terminal rate. Going forward, we expect economic data to taper further along with inflation, providing a cap to global yields.
- We opine OPR to remain at 3.00%, although BNM may hike to slightly restrictive territory if balance of risks tilt more strongly towards inflation and/or stronger than expected growth data.
- Look to lengthen duration in view of weakening growth environment and as global central banks near the end of their rate hike cycle.
- Increasing exposure to MYR bonds as yields are attractive after the correction on 2021-2022.
- Bond valuations are attractive after the sharp adjustment over the past year. We like shorter maturity government bonds and high-quality investment grade corporate bonds for better yield.
- We underweight China property given the challenging operating and refinancing environment. We underweight high yield bonds as we expect a slowdown in global growth could lead to more liquidity and credit rating downgrade pressures.

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

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 : 31 May 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.