

# Sun Life Malaysia Select Bond Fund

September 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	7.75 million units (29 September 2023)	Fund Size	RM8.27 million (29 September 2023)
Unit NAV	RM1.0676 (29 September 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"><li>Have a medium to long term investment horizon</li><li>Risk averse and conservative</li></ul>	Fees	<ul style="list-style-type: none"><li>Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond Fund</li><li>Up to 1.0% p.a. of fund management charge is applied on the Target Fund's NAV by AHAM Asset Management Berhad</li></ul>

## 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	20.20%
Government	12.20%
Industrials	11.60%
Real Estate	9.30%
Financial Services	8.10%
Energy	7.00%
Utilities	6.00%
Insurance	4.70%
Consumer Discretionary	4.40%
Telecommunications	2.30%
Basic Materials	1.90%
Technology	1.00%
Others	2.60%
Cash & Cash Equivalents	8.70%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	3.1
GII	3.73%	31.03.26	2.6
GII	4.12%	30.11.34	1.9
Dialog Group Bhd	4.15%	16.11.49	1.9
MGS	3.76%	22.05.40	1.5
Santos Finance Ltd	5.25%	13.03.29	1.4
Westpac Banking Corp	2.89%	04.02.30	1.4
Scentre Group Trust 2	4.75%	24.09.80	1.3
YTL Power International Bhd	4.30%	24.08.29	1.3
MGS	3.50%	31.05.27	1.3

## 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 September 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	-0.43	0.00	-0.85	2.09	-7.10	6.03	6.76
<b>Benchmark</b>	2.15	0.23	1.44	2.85	6.86	13.41	15.91

\* 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

- Bonds saw a further sell off in September with the US 10-year treasury yields touching its highest level of the year at 4.62% amidst strong US growth, higher bond supply and renewed inflation concerns following higher oil prices.
- US inflation saw a 0.6% increase in the August (July: +0.2%) MoM CPI data due to higher energy prices. This brought headline CPI to +3.7% (July: +3.2%). Away from energy prices, food prices (0.2%) and core prices (0.3%) were much softer, albeit core was somewhat above expectation. Although CPI surprised higher, the broader trend looks to be decelerating (decline in housing services, core good prices).
- The US Federal Reserve held rates steady in their September meeting at 5.25 – 5.50% as expected but toughened its hawkish policy stance through 2024. Updated projections painted a soft-landing scenario with a higher GDP to 2.1% for 2023 and 1.5% in 2024 (from 1.0% and 1.1%) and lower unemployment rate.
- Malaysia bonds also sold off in line with higher US treasury yields. Shorter maturity government bonds held up better as BNM's language in the September meeting gave clearer signal of an extended OPR pause for the remaining of the year.

### STRATEGY:

- US economic data continue to send mixed signals, leading to increased market conviction that the U.S. may avoid a recession in 2023 and move towards a soft landing. We opine Fed to deliver a final 25bps hike in November 2023 with market implied probability at the time of writing at 30%.
- Local factors remain supportive of Malaysian government bonds given slower GDP growth, moderate inflation, stable interest rate and neutral supply profile. We expect the government bonds to remain volatile, tracking US treasuries, although a spike in yields may present a buying opportunity.
- Look to maintain current duration positioning, nibbling in some short-dated government bonds and high quality perpetual bonds as we monitor the tabling of Budget 2024 in the month of October, which will announce fiscal deficit targets and sovereign bond supply.
- Prefer IG bonds, which could be defensive and provide positive returns as global growth slows (and potentially recessions in various DM countries).
- 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 and under pressure from Moody's review for potential downgrades.
- Turn more defensive and look to raise more cash. Maintain current high exposure to MYR bonds due to attractive yields.

## RISKS

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

<b>Market risk</b>	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.
<b>Liquidity risk</b>	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.
<b>Credit and default risk</b>	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.
<b>Interest rate risk</b>	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.
<b>Currency risk</b>	<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 September 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.