Sun Life Malaysia Select Bond Fund

May 2025

Sun Life

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.

INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/ for more information on the Investment Strategy and Approach for the target fund.

FUND DETAILS

Launch Date	16 January 2018	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	13.23 million units (30 May 2025)	Fund Size	RM15.13 million (30 May 2025)
Unit NAV	RM1.1434 (30 May 2025)	Target Fund	AHAM Select Bond Fund
Fund Manager	AHAM Asset Management Berhad	Taxation	8% of annual investment income
Performance Benchmark	Maybank 12-Month Fixed Deposit Rate	Frequency and Basis of Unit Valuation	The unit price is determined daily based on value of the holdings in the target fund, net of expenses, divided by the total number of units in that fund
Target Market	Suitable for investors: ▪ Have a medium to long term investment horizon ▪ Risk averse and conservative	Fund Management Charge	Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond Fund.

ASSET ALLOCATION

Bonds	Cash
Minimum 70% of Net Asset Value (NAV)	Maximum 30% of NAV

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SECTOR ALLOCATION OF THE TARGET FUND

Banks	26.90%
Insurance	13.30%
Energy	11.30%
Utilities	9.70%
Financial Services	8.70%
Industrials	7.20%
Real Estate	5.20%
Government	3.40%
Consumer Discretionary	2.40%
Consumer Staples	2.30%
Basic Materials	1.90%
Telecommunications	1.60%
CIS	1.00%
Technology	0.90%
Cash And Cash Equivalent	4.20%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Bank Negara Indonesia	4.30%	24.03.2049	2.3
Dialog Group Bhd	4.15%	16.11.2049	2.1
Dai-ichi Life Holdings Inc	6.20%	16.01.2049	1.9
HDFC Bank Ltd	3.70%	25.08.2049	1.8
Macquarie Bank Ltd	6.13%	08.03.2049	1.7
Aldar Properties PJSC	6.62%	15.04.2055	1.6
Meiji Yasuda Life Insurance Co	5.80%	11.09.2054	1.5
Dah Sing Bank Ltd	7.38%	15.11.2033	1.4
Yinson Production Offshore Pte	9.63%	03.05.2029	1.4
SUCI Second Investment Company	4.88%	08.05.2032	1.4

PERFORMANCE RECORD

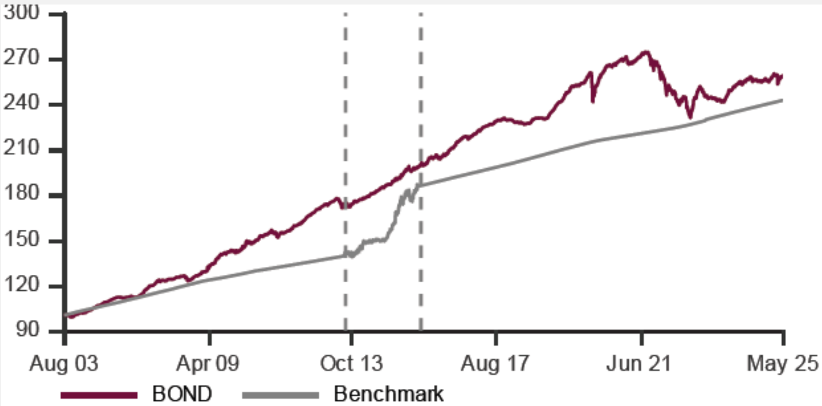
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 30 May 2025:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	1.48	0.55	1.32	1.98	5.15	2.00	14.34
Benchmark	1.02	0.21	1.23	2.52	8.18	12.27	20.42

** Calculation of past performance is based on NAV-to-NAV*

Graph Below shows the historical performance of the underlying collective investment schemes (CIS) for calendar year returns:



Source: www.morningstar.com

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FUND MANAGER'S COMMENTS

- In May 2025, U.S. Treasury (UST) yields rose sharply across the curve, with the 10-year yield climbing to 4.40% and the 30-year to 4.93%, driven by mounting fiscal concerns, a credit rating downgrade by Moody's, and heightened trade policy uncertainty. President Trump's proposed tax plan, expected to add $2.3 trillion to the national debt, alongside a debt-to-GDP ratio of 124% and $9.2 trillion in refinancing needs, raised alarm over fiscal sustainability. The implementation of reciprocal tariffs further rattled markets. Amidst these risks and rising debt servicing costs, investors shifted away from long-duration Treasuries, contributing to curve steepening and elevated yields. The UST 2-year, 10-year and 30-year yields ended in May at 3.90% (+30bps), 4.40% (+24bps) and 4.93% (+25bps) respectively.

- IMF forecasts show a sharp downgrade to 2025 growth, with U.S. GDP cut by nearly 1% to 1.83%. Trade-dependent countries like Canada and China face even steeper revisions. This is further proof of US tariffs trade tensions lead to heightened uncertainty that deliver blow to global economic growth, suggesting more accommodative monetary policy conditions. Future tariff policy clarity and bilateral trade relief remain keys to stabilized global trade and economic growth outlook.

- U.S. economy showed mixed signals in April. US GDP contracted 0.2% 1Q25, the first decline in three years, driven by pre-tariff import surges and weaker government spending. Core PCE eased to 2.5% y/y (Mar:2.7% y/y), while ISM PMI fell to 48.7 (Mar: 49.0), signalling ongoing manufacturing contraction amidst trade disruptions. U.S. headline CPI rose 0.2% m/m and 2.3% y/y in April (Mar: -0.1% m/m, 2.4% y/y), slightly below expectations, with minimal pass-through from tariffs. This marks the slowest annual pace since Feb 2021 (2.6%). Core CPI also came in softer at 0.2% m/m, 2.8% y/y (Mar: 0.1% m/m, 2.8% y/y) —its lowest y/y rate since Mar 2021 (1.6%). At the May FOMC, the Fed held rates steady, signalling patience amid ongoing tariff uncertainty and balanced risks to growth and inflation. Rate cut expectations for 2025 dropped to 2 cuts (from 4 cuts) as at end-April.

- On the domestic front, local government bonds (MGS/GII) ended the month firmer, led by short- and mid-tenors, as benign inflation and slower growth fuelled speculation of a BNM rate cut in 2H25. The 3-year, 10-year and 30-year MGS yields ended the month at 3.15% (-10bps), 3.53% (-13bps) and 4.03% (-3bps), respectively. Malaysia's GDP grew 4.4% y/y in 1Q25 (4Q24: 4.9%), slightly below consensus (4.5%) but above the 8-quarter average. Growth was driven by firm consumption, steady investments, and front-loaded exports, though dampened by weak private investment, softer sectoral output, and lower O&G production.

- Malaysia's April CPI remained steady at 1.4% y/y in April, bringing the YTD April to 1.5%, in line with market expectations, while core CPI increase slightly to 2.0% y/y (Mar: CPI +1.4% y/y, core CPI +1.9%). Overall, inflation remains subdued amid modest cost conditions and lack of demand-driven pressures. BNM projects (2024 inflation at 1.8%,) a full-year inflation rate of 2.0%–3.5% in 2025. Subsidy rationalization for RON95, expected in 2H25, is unlikely to significantly impact inflation amid soft demand and lower commodity prices. There is a higher possibility that the BNM may cut the overnight policy rate (OPR) in 2H2025 as its signalled policy easing amid rising trade tensions and external growth risks, downplaying inflation concerns from the fuel subsidy retargeting.

STRATEGY:

- The portfolio remains diversified, with ongoing efforts to increase foreign bond allocations. In May, credit did well as flows went back into risk assets. US and Asia IG credit spreads tightened and fully recovered selloff post Liberation day. The portfolio yield is around mid-5% after hedging, sitting on approximately 3% cash and portfolio duration was shortened to 4.6years as the portfolio took profits on some longer dated papers. Moving into June, the USD open FX exposure is at 3% while AUD open FX position is at 1%. On positioning front, the portfolio continued in reducing MYR allocation which is currently at 17% (from peak around 30%) while increasing foreign bonds for additional yields. The portfolio continues to like AUD bonds as it remains one of the markets outside USD where valuation is compelling and AU rates have outperformed US (Eg, over past three months, US 10yr rates sold off by 14bps whereas AU 10yr rates rallied by 18bps). The portfolio currently has around 17% in AUD bonds. With uncertainty on US term premium and fiscal sustainability, the Manager continues to look to diversify by increasing allocation in AUD and EUR, also actively participating in primary issuances in markets such as SGD which is more expensive but continue to do well.

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. <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.

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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 : 30 May 2025

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