Sun Life Malaysia Select Bond Fund

October 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	7.80 million units (31 October 2023)	Fund Size	RM8.30 million (31 October 2023)
Unit NAV	RM1.0641 (31 October 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: ▪ Have a medium to long term investment horizon ▪ Risk averse and conservative	Fees	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond Fund ▪ 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	20.10%
Government	12.30%
Industrials	10.50%
Real Estate	9.20%
Financial Services	9.20%
Energy	7.30%
Utilities	6.10%
Consumer Discretionary	5.20%
Insurance	4.90%
Telecommunications	2.40%
Basic Materials	2.00%
Technology	1.60%
Others	2.70%
Cash & Cash Equivalents	6.50%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	3.2
GII	3.73%	31.03.26	2.7
GII	4.12%	30.11.34	2.0
Dialog Group Bhd	4.15%	16.11.49	1.9
Westpac Banking Corp	2.89%	04.02.30	1.8
Santos Finance Ltd	5.25%	13.03.29	1.5
Scentre Group Trust 2	4.75%	24.09.80	1.4
Geely Automobile Holdings Ltd	4.00%	09.12.49	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 31 October 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	-0.76	-0.33	-1.35	4.02	-7.72	5.60	6.41
Benchmark	2.38	0.23	1.44	2.86	6.95	13.37	16.80

** 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

- The fund returned -0.33 over the month, underperforming against the benchmark by 0.6%. Holdings in long dated and quality perps (Malaysia and Chinese credits) were the key contributor for the month. However, long dated government bonds and some Malaysia credit bonds were key detractors.

- October was a volatile months for global fixed income market which centred around the US Treasuries. A series of economic data releases were supportive of the US economy outlook, but disappointed fixed income investors market came to terms with the Federal Reserve's (Fed) 'higher for longer' narrative. Notably, US Q3 GDP (advanced) surprised to the upside at +4.9% qoq (Q2: +2.1%, consensus: +4.5%), while Septembers' retail sales (+0.7% yoy) and non-farm payroll (+336k) have all beat consensus. US core inflation continued to show signs of easing, as Core CPI and Core personal consumption expenditures (PCE) were reported at 4.1% yoy and 3.7% yoy respectively (August: +4.3%; +3.9%), but it is still some distance from the Federal Reserve's 2% target.

- On the fiscal front, the US debt funding programme fell under the spotlight as concerns on US Treasuries (and duration) supply glut intensified. In absence of an anchor from monetary policy and expectations of a demand-supply imbalance, 10-year US Treasury yield inched higher to test its high several times during the month but kept in check by the 5% handle. As a result, US Treasury yield curve bear steepened, with 2-year, 10-year and 30-year Treasury ending the month at 5.09% (+4 bps), 4.93% (+36 bps), and 5.09% (+39 bps) respectively.

- Malaysia's fixed income market also experienced a volatile October. Domestically, market reaction towards tabling of Budget 2024 mid-October were muted, as headline numbers were mainly in line of market expectations, with a fiscal consolidation path towards the government's medium target of 3% fiscal deficit-to-GDP ratio, from 2023E of 5.0% and 2024E of 4.3%. A well telegraphed subsidy rationalisation (for chicken, eggs, diesel, and electricity) ahead of Budget 2024 kept the lid on inflation expectations.

- On the data front, Malaysia's inflation appeared subdued as Headline CPI in September eased to +1.9% yoy (August: +2.0%) while Core CPI was flat at +2.5% yoy. International reserves fell to USD110.1b end-September from USD112.50b a month ago. In terms of foreign flows, Malaysia saw RM4.4b of net selling by foreign investors in September, mainly on discount instruments. Foreign holdings in MGS and GII as percentage of total outstanding inched lower to 23.1% (August: 23.4%) mainly due to larger outstanding.

STRATEGY:

- US inflation has eased amid aggressive monetary tightening but remained well above Federal Reserve's 2% target. Resiliency in the US economy has afforded the Federal Reserve to maintain current policy rate of 5.25-5.50% for 'longer', with the option to go 'higher' if necessary. We expect this flexibility to intensify market volatility going forward, as the Federal Reserve is expected to remain data driven. Nonetheless, the downside risk appears to outweigh upside risk at current yield levels.

- Domestically, moderating growth and subdued inflation continued to support the fixed income market, while external pressure in the form of widening interest differential and ensuing Ringgit weakness kept short-end rates elevated. Persistent demand from domestic investors were unabated by the flatness in MGS yield curve and have continued to keep long-tenured bond yields anchored during choppy sessions.

- Look to maintain a neutral duration to the benchmark in the near term.

- Preference for liquid and good credit quality (AA3 and above) senior bonds, as corporate bonds pipelines are expected to be subdued, which could keep the spreads compressed.

- Dovish central banks in DM economies should increase risk appetite for EM assets, with volatility expected to persist with inflation fight far from over.

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. Currency risk at the target fund level 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 : 31 October 2023