

# Sun Life Malaysia Select Bond Fund

April 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	7.14 million units (28 April 2023)	Fund Size	RM7.71 million (28 April 2023)
Unit NAV	RM1.0787 (28 April 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

Government	17.00%
Bank	16.70%
Real Estate	13.60%
Industrials	11.50%
Financial Services	7.90%
Energy	7.40%
Utilities	5.50%
Insurance	4.40%
Consumer Discretionary	3.40%
Basic Materials	3.20%
Telecommunications	1.90%
Consumer Staples	0.80%
Others	1.10%
Cash & Cash Equivalents	5.70%
<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	2.5
GII	3.73%	31.03.26	2.2
United States Treasury	0.00%	07.09.23	1.9
GII	4.12%	30.11.34	1.6
MGS	3.76%	22.05.40	1.6
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	1.1
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 April 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	0.61	0.18	5.44	-1.25	-1.74	8.47	7.87
<b>Benchmark</b>	0.93	0.23	1.40	2.57	6.45	13.64	14.54

\* 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

- Global fixed income market saw volatility subside in April as growth and inflation outlook moderated. Most economy data printed weaker as past cumulative monetary tightening took effect. Nonetheless, persistent pressure from core inflation remained a key concern for many economies.
- In the month of April, the US 10-year treasury experienced volatility as yields dipped to 3.38% due to instability in the banking space. The volatility was on the backs of greater concerns in the US banking space and some released US data, namely the soft consumer confidence data and the US core capital goods data. Towards the end of the month, however, markets were calmer, and sentiments improved. The US 10-year treasury yields rebounded as there was government intervention to stabilise the First Republic bank situation. Eventually, news emerged that JP Morgan will be buying over the bank.
- US Treasury yield curve inverted further due to a combination of lingering systemic risk in its banking sector, and a consensus of 25 basis points ("bps") policy rate hike in May from the US Federal Reserve. 2-year, 10-year, and 30-year US Treasury ended the month at 4.01% (-2 bps), 3.42% (-4 bps), and 3.68% (+2 bps) respectively.
- Market participants drew comfort that a stronger than expected China economy in 1Q23 would remain supportive of global growth, as the US is still not out of the woods from a hard-landing scenario. In Asia, both Investment Grade ("IG") and High Yield ("HY") credit spreads saw recovery within the month, however the HY space underperformed towards month end due to softer China property sentiments, largely attributed by liquidity concerns from China property company, Wanda Group.
- Malaysia's fixed income market saw strong performance in the month of April, on the back of (1) a more stable US Treasury yield environment, (2) easing inflation outlook and lower CPI print domestically, and (3) persistent foreign participation in Malaysia's sovereign bonds. Strong participation from both domestic and foreign investors drove yields lower to test January's low, while demand for duration saw 15-year and 30-year Malaysian Government Securities ("MGS") the best performers along the yield curve. MGS yield curve bullish flattened, with 3-year, 10-year, and 30-year MGS ending the month at 3.29% (-4 bps), 3.74% (-18bps), and 4.17% (-24 bps) respectively.

### STRATEGY:

- While banking systemic risk 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 economy data to taper further, keeping global yields anchored.
- Bond valuations are looking attractive especially the shorter end of US treasuries. Increasing exposure to MYR bonds as yields are attractive, while looking to hedge USD exposure as USD may underperform given the Fed nears the end of its rate hike cycle.
- On credits, we continue to focus on IG corporate bonds for consistent income. Underweight HY corporate bond allocation. Expect a slowdown in global growth could lead to more liquidity and credit rating downgrade pressures.
- Duration positioning remains short at around 4.3 years, though we are looking to lengthen duration in view of weakening growth environment and as global central banks are nearing the end of their rate hike cycle. The current fixed income yield is at 6.8%.

## 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 : 28 April 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.