

# Sun Life Malaysia Select Bond Fund

February 2021



## 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	7.82 million units (26 February 2021)	Fund Size	RM9.07 million (26 February 2021)
Unit NAV	RM1.1609 (26 February 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Affin Hwang Asset Management Berhad	Target Fund	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 Affin Hwang 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

Real Estate	20.60%
Banks	18.70%
Government	14.90%
Industrials	9.60%
Oil & Gas	6.40%
Financial Services	5.60%
Insurance	3.30%
Utilities	3.00%
Consumer Goods	2.10%
Consumer Services	1.80%
Telecommunications	1.50%
Basic Materials	1.50%
Others	1.80%
Cash & Cash Equivalents	9.10%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
United States Treasury N/b	0.63%	15.08.30	1.9
China Government Bond	2.68%	12.05.30	1.6
Santos Finance Ltd	5.25%	13.03.29	1.2
MGS	4.64%	07.11.33	1.1
GII	3.73%	31.03.26	1.1
Eco World Capital Assets Bhd	6.50%	12.08.22	1.1
Yinson Juniper Ltd	7.85%	05.10.49	1.0
Lafarge Cement Sdn Bhd	5.06%	08.07.22	1.0
Standard Chartered Plc	6.00%	29.12.49	1.0
Sinopec Grp Oversea Dev't 2018	2.30%	08.01.31	0.9

## PERFORMANCE RECORD

This fund feeds into Affin Hwang 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 26 February 2021:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
<b>Fund*</b>	-0.74	-0.79	-0.16	0.97	3.11	16.57	16.09
<b>Benchmark</b>	0.30	0.14	0.45	0.91	2.04	8.77	9.30

\* 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

- Despite the recent spike in Treasury yields, Fed chair Jerome Powell highlighted that the US economy is a long way from the Fed's employment and inflation goals – which suggests that the Fed's current easy monetary policy is likely to stay.
- Asian credits was relatively resilient, though a sharp spike in US Treasury yields later in the week prompted a sell-off, particularly within the HY segment where credit spreads widened. IG names, held up relatively better.
- Primary activities in the region have begun to regain momentum. YTD the region has seen some US\$80billion worth of new issuances with an average book-to-cover ratio of 4.0x.
- Indonesia's central bank cut its benchmark interest rate by 25 to a record low of 3.5% and downgraded its growth outlook amid fears that a resurgence in Covid-19 cases is slowing the economy's recovery.
- The Philippine central bank held its benchmark interest rate at a record low of 2% for a second straight meeting to boost an economy that remains in recession and with inflationary pressures starting to mount. The bank raised its inflation forecast for the year to 4% from the 3.2% in December but said supply problems driving up food costs were transitory.

**STRATEGY:** Rates are likely to trend higher in the near term given the increased expectations of inflation. Focus will be on credit selection with government bonds to provide liquidity and trading opportunities.

- The Chinese property sector continues to be the main contributor for yield.
- We continue to favor quality names with a tilt towards the IG segment. The breakdown of IG versus HY and unrated bonds are 60% and 23% respectively.
- Invested level is at ~91% and we intend to keep invested level at 90-95% for better opportunities.
- We trimmed position in 10y Singapore govt bonds due to limited trading opportunity and added 5y Chinese govt bonds for the attractive yield. Chinese govt bond is attractive due to the strong reserves of China and the economic recovery from the pandemic.
- Duration remained at around 5 years while open FX positions remained unchanged.

## 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 : Affin Hwang Asset Management Berhad**

**Date : 26 February 2021**

#### 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.