

Sun Life Malaysia Select Bond Fund

December 2022



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	6.96 million units (30 December 2022)	Fund Size	RM7.46 million (30 December 2022)
Unit NAV	RM1.0722 (30 December 2022)	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">Have a medium to long term investment horizonRisk averse and conservative	Fees	<ul style="list-style-type: none">Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond FundUp 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%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

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SECTOR ALLOCATION OF THE TARGET FUND

Banks	20.1%
Real Estate	14.7%
Industrials	11.4%
Government	11.2%
Financial Services	8.3%
Energy	6.0%
Insurance	4.9%
Utilities	3.7%
Consumer Discretionary	3.5%
Basic Materials	3.3%
Telecommunications	2.4%
Others	1.0%
Consumer Staples	0.7%
Cash & Cash Equivalents	8.7%
Total	100.0%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.4
MGS	4.64%	07.11.33	2.2
GII	3.73%	31.03.26	2.1
GII	4.12%	30.11.34	1.6
Monetary Auth of Singapore Bill	0.00%	20.01.23	1.6
MGS	3.76%	22.05.40	1.5
Phoenix Group Holdings PLC	4.75%	04.09.31	1.3
Dialog Group Bhd	4.15%	16.11.49	1.3
Geely Automobile Holdings Ltd	4.00%	09.12.49	1.2
Santos Finance Ltd	5.25%	13.03.29	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 30 December 2022:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
Fund*	-7.02	2.25	2.53	1.03	-7.02	-2.80	7.22
Benchmark	2.24	0.23	0.68	1.28	2.24	6.44	13.49

* 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

- The US Federal Reserve delivered a 50 bps rate hike at its policy meeting last month, ending its 4 consecutive jumbo 75bps interest rate hike rates before. However, sentiment remained muted as prospects of a much-anticipated Fed pivot dimmed. In a speech, Jerome Powell stated it was too early yet to declare victory against inflation and guided for further but smaller rate hikes. The Fed also increased its terminal rate projection from 4.6% to 5.1% in 2023.
- Encouraging developments were seen in the Chinese property sector, including news of several successful fundraising activities, announcement by some developers that they will present solutions to their offshore debt creditors, and with Powerlong successfully meeting its offshore coupon obligation within the grace period given.
- The Bank of Japan was seen defending its yield curve target with record amount of bond buying. This follows a surge in yields since the central bank unexpectedly raised its ceiling for the benchmark 10-year note to 0.5% at its December meeting, citing that the move was to improve market functioning.
- The 10-year MGS yield fell 7 bps to settle at 4.04%. Malaysia's headline inflation print climbed 4% y-o-y in November with food inflation continuing to be the main driver. Demand for Malaysian bonds is expected to pick-up on the back of expectations of a less aggressive pace of Fed tightening that should also lead to the USD strength topping out.

STRATEGY:

- Going forward, we believe the Fed is closer to the end of its rate hike cycle as economic data and inflation data roll over in 1Q23. In Asia, central banks are more gradual in their rate hike approach given inflation is manageable. Fund flows are also turning more encouraging into Asian bonds.
- As such, we are turning more constructive as bond valuation has turned more attractive after the sharp correction in 2021-22 and will look to deploy the Funds into primary issuances and quality investment grade credits. We look to lengthen duration into H1 2023 as we view that the bond market has stabilized and is now pricing in the Fed to pause its rate hike cycle in 1Q2023
- The positioning of the Fund is underweight High Yield, as we expect a slowdown in global growth could lead to more liquidity and credit rating downgrade pressures. The Fund is also underweight the China property sector despite better policy support, as property sales will take a while to recover and liquidity and funding remains challenging.
- We also look to increase the Fund's exposure to the MYR bond market as yields are quite attractive after the correction in 2021-2022, and to reduce USD exposure as we expect USD to underperform in 2023.
- While market sentiment has improved, our cautious stance remains at this juncture with cash level was kept at around 12% and a continued focus on quality. Duration positioning remains short at around 4.3 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.5%.

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

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 December 2022

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.