Sun Life Malaysia Select Bond Fund

July 2022

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.

FUND DETAILS

Launch Date	16 January 2018	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	7.00 million units (29 Jul 2022)	Fund Size	RM7.46 million (29 Jul 2022)
Unit NAV	RM1.0660 (29 Jul 2022)	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: ▪ 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 Affin Hwang Asset Management Berhad

ASSET ALLOCATION

Bonds	Cash	Money Market Instruments/Deposits
Min 70%; Max 100%	Remaining Balance	Min 0%; Max 30%

Sun Life Malaysia
Select Bond Fund
July 2022

Sun Life

SECTOR ALLOCATION OF THE TARGET FUND

Banks	19.4%
Real Estate	14.6%
Government	11.6%
Industrials	11.0%
Financial Services	9.7%
Energy	5.7%
Insurance	4.8%
Basic Materials	3.8%
Consumer Discretionary	3.3%
Utilities	2.8%
Telecommunications	1.8%
Consumer Staples	0.8%
Others	1.0%
Cash & Cash Equivalents	9.7%
Total	100.0%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
MGS	4.64%	07.11.33	2.1
Yinson Juniper Ltd	8.10%	29.03.49	2.0
GII	3.73%	31.03.26	2.0
Yinson Juniper Ltd	7.85%	05.10.49	1.9
Eco World Capital Services Bhd	6.50%	12.08.22	1.5
GII	4.12%	30.11.34	1.4
MGS	3.76%	22.05.40	1.3
DNB Bank ASA	4.88%	12.11.49	1.3
Phoenix Group Holdings PLC	4.75%	04.09.31	1.3
Dialog Group Bhd	4.15%	16.11.49	1.2

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 29 July 2022:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
Fund*	-7.55	0.44	-2.42	-5.85	-9.98	-1.10	6.60
Benchmark	1.14	0.19	0.53	0.98	1.92	6.66	12.27

** 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.

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

Sun Life Malaysia
Select Bond Fund
July 2022

Sun Life

FUND MANAGER'S COMMENTS

- The Fed's rate hike in July resulted in higher UST on m-o-m basis on the short end. The long end continues to flatten as market prices in a slower growth environment. The bond market has been pricing in an economic slowdown, if not a recession, as seen in the inversion of two- and 10-year Treasury yields.

- US GDP contracted by 0.9% q/q in the Q2, a second consecutive quarterly contraction, meeting the definition of a technical recession. This pushed rate hike expectations lower and comes as Powell said the Fed will likely slow rate hikes at some point and said it is necessary to have a growth slowdown. He has dismissed recession concerns, citing the strong jobs market. Powell also cited balance sheet normalisation exercise will take at least 2 years.

- The Asian credit space was volatile in July, with credit spreads initially widening amidst a spate of downgrades in the Chinese property space and with a mortgage payment boycott. Credit spreads, however, tightened towards the end of the month with the swift intervention of the government to address the boycott.

- A risk-off was evident for the Chinese onshore market, partly due to China's disappointing 2Q GDP results, alongside a fresh spike in COVID cases. Yields for Chinese government bonds and selective IG names tightened, while bonds of non-financial and private issuers traded on a softer note.

- The 10-year MGS yield fell 40 bps to end July at 3.9%. A BNM rate hike during the month resulted in further flattening of the yield curve. In a widely expected move, BNM raised OPR by 25 bps to 2.25% at its policy meeting in July. The central bank emphasized that rate adjustments would be gradual to ensure that the policy in place remains accommodative and supportive of economic growth.

STRATEGY:

- We maintain our cautious stance in view of the various challenges that persists globally. For government bonds, we have a more neutral view given that interest rate expectations have been aggressively priced in, setting a high barrier for further hawkish surprise. We view inflation in the US may start to roll over in the second half of 2022. This could reduce the need for central banks to tighten monetary policy aggressively and that would be a potential positive for sentiment.

- For corporate bonds, we prefer short-dated bonds to minimise duration and credit spread volatility. We note that valuations have turned more attractive globally, there has been some recovery in bond prices and we see pockets of opportunities in various sectors.

- We remain cautious on Chinese property market as sentiment remains weak. More urgent and material policy response on China property sector is key to turnaround and prevent further contagion. Asian HY valuations are wide.

- Cash level was further reduced to around 10%, with the Fund intending to stay defensive.

- Duration positioning remains short at around 4.2 years. However, we are looking to gradually nibble into higher rates duration due to aggressive market pricing and rising recession risk. The current fixed income yield is at 6.8%.

- For credits, we are cautious and intend to keep some cash buffer, sticking to short-term credits to generate income and reduce volatility. Meanwhile, we see opportunities emerging in various Investment Grade space such as China tech, selective China property, Malaysia credits and selective high quality US credits. The breakdown of IG versus HY and unrated bonds remains at around 57% and 34% respectively.

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.

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

RISKS

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 : Affin Hwang Asset Management Berhad
Date : 29 July 2022