

# Sun Life Malaysia Select Bond Fund

November 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	6.83 million units (30 November 2022)	Fund Size	RM7.16 million (30 November 2022)
Unit NAV	RM1.0486 (30 November 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad	Target Fund	AHAM 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

Banks	18.2%
Real Estate	13.1%
Government	11.2%
Industrials	11.2%
Financial Services	8.4%
Energy	6.0%
Insurance	4.9%
Consumer Discretionary	3.5%
Utilities	3.5%
Basic Materials	3.3%
Telecommunications	2.5%
Consumer Staples	0.7%
Others	1.0%
Cash & Cash Equivalents	12.5%
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
MGS	3.76%	22.05.40	1.5
Phoenix Group Holdings PLC	4.75%	04.09.31	1.4
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
MUFG Bank Malaysia	2.88%	24.03.23	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 November 2022:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
<b>Fund*</b>	-9.06	2.50	-2.33	-3.57	-9.42	-4.70	4.86
<b>Benchmark</b>	2.00	0.23	0.65	1.22	2.16	6.47	13.22

\* 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

- At the November FOMC meeting, the Committee voted for a 75bp rate hike for the fourth meeting in a row, lifting the federal funds target range to 3.75-4.00%. In his press conference, Fed Chair Jerome Powell said that a decision to slow the pace of rate hikes could come as soon as December, but that the questions of how high to raise policy rates and how long to keep policy restrictive were becoming more important.
- For the February FY23 meeting, the rates market has factored in a 58% likelihood of another such rate hike. The peak Fed funds rate slid after Powell's comments to 4.95%, seen hitting in May next year. Before his remarks, that peak rate was at 5.05%, expected at the June meeting.
- China signaled more monetary easing, including a required reserve ratio cut, as it looks to boost lending and support the faltering economy. In most cases, the PBOC would cut the ratio within days of such announcements.
- The 10-year MGS yield fell 24 bps to end the month at 4.11%. As widely expected, BNM raised the OPR by 25bps on the back of a strong recovery and robust domestic demand. Expectations are that BNM would normalize the monetary policy by another 1 or 2 times or 25-50bps next year on the back of still positive economic growth prospect as well as to manage demand driven inflationary pressures.

### 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 our high cash levels into primary issuances and selective secondary bonds.
- The recent intensity of policy support and overall sentiment towards the Chinese property sector has been encouraging, though we remain cautiously optimistic on our view of the sector as we believe the worst is behind us. However, the physical recovery of property sales is crucial to bring forth sustainable recovery in the sector and the economy and this will take some time. We expect the "China reopening" theme will be driving the markets in the near term where we see opportunities to pick up undervalued high grade China credits.
- Cash level was higher at around 12%, which we look to gradually deploy. Duration positioning remains short at around 4.3 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.0%.

## 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 : 30 November 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.