Sun Life Malaysia Select Bond Fund

January 2025

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.

INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/ for more information on the Investment Strategy and Approach for the target fund.

FUND DETAILS

Launch Date	16 January 2018	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	11.67 million units (31 January 2025)	Fund Size	RM13.21 million (31 January 2025)
Unit NAV	RM1.1319 (31 January 2025)	Target Fund	AHAM Select Bond Fund
Fund Manager	AHAM Asset Management Berhad	Taxation	8% of annual investment income
Performance Benchmark	Maybank 12-Month Fixed Deposit Rate	Frequency and Basis of Unit Valuation	The unit price is determined daily based on value of the holdings in the target fund, net of expenses, divided by the total number of units in that fund
Target Market	Suitable for investors: ▪ Have a medium to long term investment horizon ▪ Risk averse and conservative	Fund Management Charge	▪ 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 AHAM Asset Management Berhad

ASSET ALLOCATION

Bonds	Cash
Minimum 70% of Net Asset Value (NAV)	Maximum 30% of NAV

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SECTOR ALLOCATION OF THE TARGET FUND

Banks	28.20%
Energy	10.40%
Insurance	9.30%
Real Estate	8.70%
Utilities	8.10%
Consumer Discretionary	8.00%
Industrials	6.60%
Financial Services	6.10%
Others	3.00%
Consumer Staples	1.80%
Technology	1.70%
Government	1.60%
Basic Materials	1.50%
Cash	5.00%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Genting Capital Bhd	4.86%	08.06.2027	3.50
Dialog Group Bhd	4.15%	16.11.2049	2.30
Scentre Group Trust 2	4.75%	24.09.2080	2.10
HDFC Bank Ltd	3.70%	25.08.2049	1.70
Bank Negara Indonesia	4.30%	24.03.2049	1.60
Standard Chartered PLC	3.52%	12.02.2030	1.40
Yinson Production Offshore Pte	9.63%	03.05.2029	1.40
Meiji Yasuda Life Insurance Co	5.80%	11.09.2054	1.30
AL Rajhi Sukuk Ltd	6.25%	21.07.2049	1.30
QBE Insurance Group Ltd	5.88%	17.06.2046	1.20

PERFORMANCE RECORD

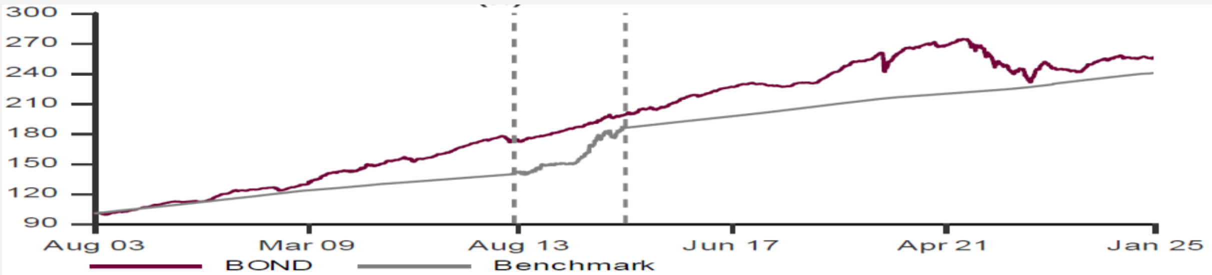
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 31 January 2025:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	0.46	0.46	0.25	2.42	-0.03	1.31	13.19
Benchmark	0.21	0.21	1.27	2.60	7.98	12.31	19.45

** Calculation of past performance is based on NAV-to-NAV*

Graph Below shows the historical performance of the underlying collective investment schemes (CIS) for calendar year returns:



Source: www.morningstar.com

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FUND MANAGER'S COMMENTS

- In January, UST yields experienced a roller coaster ride amidst uncertainties surrounding the new government's incoming policies. However, they steepened in the last week of the month as investors sought safe-haven assets amid a massive stock market sell-off.

- As expected, the Federal Reserve maintained its federal funds rate in the 4.25%–4.50% range during its January meeting. Fed Chair Powell stated that the Fed is not in a rush to lower interest rates and will observe further progress on inflation. The unemployment rate has stabilized at a low level (4.1%–4.2%) in recent months, and labor market conditions remain strong. Meanwhile, the Core PCE index for December increased by 0.2% m/m (in line with expectations) compared to 0.1% in November 2024. On a year-on-year basis, the Core PCE price index came in at 2.8% (as expected), matching November's 2.8%. The rise in tariffs (25% tariff on imports from Mexico and Canada, and a 10% duty on China) and potentially tougher immigration and border security policies could weigh on US GDP growth, which is now expected to be lower at 1.8% for 2025 (compared to a projected 2.7% for 2024). Higher tariffs are also likely to push US inflation higher, above the Fed's 2.0% target in 2025 and 2026. The UST benchmark 2-year, 10-year, and 30-year yields ended the month at 4.20% (-4bps), 4.54% (-3bps), and 4.79% (+1bp), respectively.

- Domestically, MGS yields remained resilient on a month-on-month basis despite the movement in UST yields. The yields for the 3-year MGS ended the month at 3.46% (-2bps), while the 10-year and 30-year MGS were unchanged at 3.81% and 4.18%, respectively. Based on October-November data, the advance GDP eased to 4.8% y/y in 4Q (vs. 5.3% in 3Q). Full-year GDP was 5.1% (official estimate: 4.8%–5.3%; FY2023 GDP: 3.6%). Private and public investment projects are progressing well, contributing to the robust expansion of the construction sector. Continued employment and wage growth, as well as domestic policy measures supporting household spending, have been positive factors. Headline and core inflation moderated to 1.7% and 1.6% y/y, respectively, in December (November: CPI +1.8% y/y, core CPI +1.8%). The annual inflation rate for 2024 is expected to average 1.8% (FY2023: +2.6%). We expect that Bank Negara Malaysia (BNM) will keep the overnight policy rate (OPR) steady at 3.00% in 2025, prioritizing growth while keeping inflation in check.

STRATEGY:

- The portfolio remains diversified, with ongoing efforts to increase foreign bond allocations. In January 2025, the fund has generated +0.5% return. Despite recent volatility in rates, credits remain supported as all in yields are high, and we expect bulk of the return to be derived from carry this year.

- Currently, the portfolio yield is at 5%, with approximately 3.5% held in cash. In January, portfolio duration was at 4.7 years. The portfolio closed remaining 5% open position in USD as we think MYR is likely to strengthen/ peak at 4.5 and maintained open position in AUD as AUDMYR declined to 2.8. The total AUD open position now stands at 5%.

- The portfolio continues to see attractive opportunities in foreign bonds and aims to further increase exposure in these spaces, while MYR allocation is currently at 22%

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.

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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 : 31 January 2025