

Sun Life Malaysia Select Bond Fund

June 2024



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	9.52 million units (28 July 2024)	Fund Size	RM10.74 million (28 July 2024)
Unit NAV	RM1.1282 (28 June 2024)	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: <ul style="list-style-type: none">▪ Have a medium to long term investment horizon▪ Risk averse and conservative	Fund Management Charge	<ul style="list-style-type: none">▪ 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	20.40%
Financial Services	11.00%
Government	10.30%
Real Estate	9.40%
Utilities	8.70%
Energy	8.30%
Insurance	6.50%
Industrials	6.10%
Consumer Discretionary	5.00%
Basic Materials	3.30%
Consumer Staples	1.80%
Technology	1.70%
Others	3.20%
Cash and Cash Equivalent	4.30%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
United States Treasury N/B	4.00%	15.02.2034	2.6%
GII	4.12%	30.11.2034	2.1%
Dialog Group Bhd	4.15%	16.11.2049	2.1%
Scentre Group Trust 2	4.75%	24.09.2080	2.0%
Geely Automobile Holdings Ltd	4.00%	09.12.2049	1.6%
YTL Power International Bhd	4.30%	24.08.2029	1.4%
MGS	3.76%	22.05.2040	1.3%
Government National Mortgage A	6.00%	20.02.2054	1.3%
Yinson Production Offshore Pte	9.63%	03.05.2029	1.3%
Indika Energy Tbk PT	8.75%	07.05.2029	1.2%

PERFORMANCE RECORD

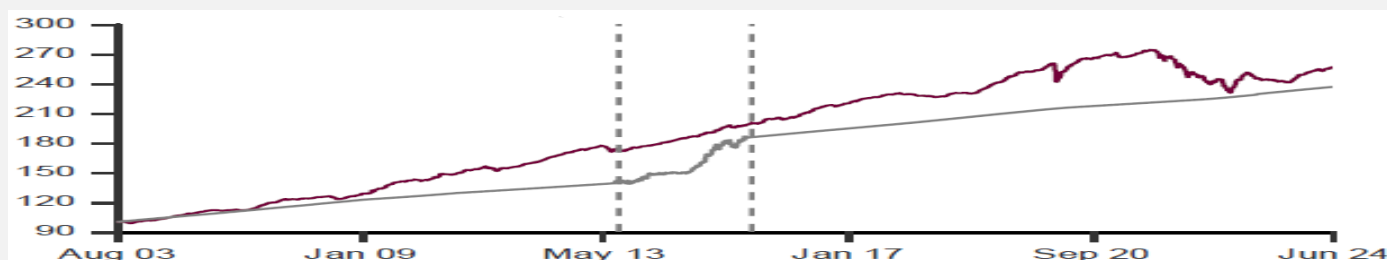
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 28 June 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	3.01	0.62	3.01	5.03	-4.23	-5.44	12.82
Benchmark	1.33	0.21	1.33	2.75	7.55	12.90	18.26

* 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 the US, economic signals such as weak retail spending, further bolstered bets that the Fed would pivot to cut rates. Retail sales rose by a modest 0.10% in May, coming below expectations, with weakness observed across various broad categories. Moreover, an uptick in jobless claims showed softness in the labour market.
- Company surveys also suggest that US companies are starting to slow down on hiring, which could lead to higher unemployment rates. At its FOMC meeting in June, the Fed kept interest rates unchanged as widely anticipated. In its dot plot, the Fed committee signalled 1 rate cut before the end of 2024, citing incremental progress in lowering inflation. However, the committee telegraphed a more aggressive rate cut path for 2025, revising the projection upwards to 4 cuts from 3 previously. In the political arena, there are growing bets of a potential Trump win in the upcoming US elections. Recent polls have highlighted concerns over President Joe Biden's health and age, particularly following his lacklustre performance in the presidential debate against Donald Trump.
- The People's Bank of China (PBoC) left benchmark lending rates unchanged, maintaining the one-year loan prime rate (LPR) at 3.45% and the five-year LPR at 3.95%. The lack of new policy support announcements from a key financial forum held during the month further dampened investor sentiment.
- During the month, the Malaysian government implemented its diesel subsidy rationalisation in Peninsular Malaysia. This measure is expected to save the government around RM4 billion annually. To mitigate the cost increase, the government has introduced policies such as cash aid to eligible individuals and businesses. In the local bond market, the 10-year Malaysian Government Securities (MGS) yield slipped 2 bps, settling at 3.87%. Overall inflation impact is expected to be relatively muted given the diesel subsidy mechanism comes with targeted handouts. Separately, Fitch affirmed Malaysia's sovereign rating at BBB+ with a stable outlook. This follows S&P and Moody's similar decisions to uphold Malaysia's sovereign rating. Thus, Malaysia's sovereign ratings from all 3 major rating agencies remain at investment-grade (IG) status.

STRATEGY:

- The fund's short duration strategy has helped to minimise the negative impact from interest rate movement. At current valuation, the team turns more optimistic on fixed income assets as investors are now able to lock in higher long term potential return without the need to move down in quality. The fund remains highly tactical in approaching interest rate and credit exposure as market volatility is likely to remain elevated and default rate is set to rise. This reflects the core holdings of the portfolio which is mainly in high quality investment grade bonds with average duration of 4 years and average credit quality of A/BBB.
- In addition, with the broad credit coverage across markets, the team is able to identify potential opportunity where valuations remain attractive. For instance, as credit spreads in the USD space have performed very well, the fund has reduced some of these holdings and rotated into AUD and EUR denominated papers where valuations are more attractive on relative term.
- The return drivers will primarily be income from holdings in corporate bonds and alpha generation from trading of government bonds. One of the key positive catalysts will be compression in interest rates which we think could come in as early as second half of the year.
- The key risk will be on inflation outlook especially in the US as interest rate movements in the US will have ripple effect on the rest of risk assets including corporate credits. While it is not currently the base case assumption, if there is sign of resurgence in inflation, the team thinks they could see higher bond yields reflecting possibility of resumption of rate hike by the US Federal Reserve.

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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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 : 28 June 2024

Disclaimer:

This is strictly the performance of the investment fund, and not the returns earned on the actual premiums paid of the investment-linked product. Past performance of the fund is not an indication of its future performance. 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.