

Sun Life Malaysia Select Bond Fund

September 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.

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	11.21 million units (30 September 2024)	Fund Size	RM12.59 million (30 September 2024)
Unit NAV	RM1.1230 (30 September 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 horizonRisk 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 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
Minimum 70% of Net Asset Value (NAV)	Maximum 30% of NAV

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SECTOR ALLOCATION OF THE TARGET FUND		TOP HOLDINGS OF THE TARGET FUND			
Banks	22.00%	Bonds Issuer	Coupon	Maturity Date	%
Real Estate	9.50%	GII	4.1%	30.11.2034	2.20
Financial Services	9.10%	Dialog Group Bhd	4.2%	16.11.2049	2.10
Energy	8.80%	Scentre Group Trust 2	4.8%	24.09.2080	1.80
Utilities	8.70%	YTL Power International Bhd	4.3%	24.08.2029	1.40
Government	7.00%	Geely Automobile Holdings Ltd	4.0%	09.12.2049	1.40
Insurance	6.40%	MGS	3.8%	22.05.2040	1.40
Industrials	6.30%	Standard Chartered PLC	3.5%	12.02.2030	1.10
Consumer Discretionary	5.60%	Gov National Mortgage A	6.0%	20.02.2054	1.10
Technology	2.30%	Yinson Production Offshore Pte	9.6%	03.05.2029	1.10
Basic Materials	1.70%	Ara Bintang Bhd	5.3%	17.03.2031	1.00
Consumer Staples	1.50%				
Others	3.00%				
Cash And Cash Equivalent	7.90%				
Total	100.00%				

PERFORMANCE RECORD

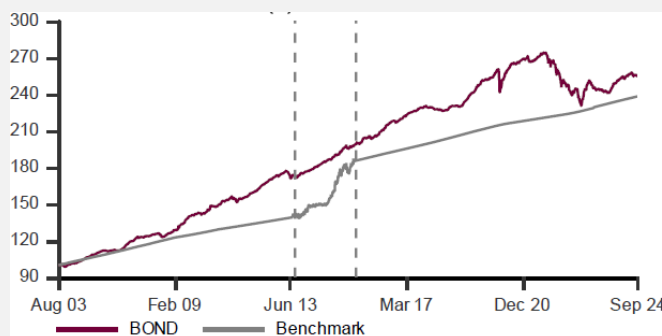
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 30 September 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	2.54	-0.20	0.38	5.19	-4.85	2.68	12.30
Benchmark	1.98	0.21	1.30	2.70	7.75	12.53	19.03

* 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 September, the US Treasury (UST) yield curve bull steepened following a large 50 bps cut, as investors shifted away from longer durations amid the Fed's efforts to engineer a soft landing. The UST 2-year, 10-year, and 30-year yields ended the month at 3.64% (-28 bps), 3.78% (-12 bps), and 4.12% (-8 bps), respectively.
- In the United States, the Federal Reserve lowered the federal funds rate (FFR) by 50 bps to 5.00% (upper range) in September 2024, marking the first rate cut since March 2020. New forecasts indicate that policymakers expect another 50 bps of easing by year-end (market: 75 bps) and an additional 100 bps by the end of 2025 (market: 125 bps). We view the recent actions of the Fed as suggesting that employment (unemployment rate: 4.2%) matters more than inflation (PCE inflation: 2.2% YoY) for the time being. If jobs stabilize or improve, the Fed could slow the pace of cuts to 25 bps. Meanwhile, People's Bank of China (PBoC) has once again reduced the reserve requirement ratio (RRR) by 20 bps to 1.5% for banks. This latest cut will inject approximately CNY 1 trillion into the economy and increase banks' lending capacities. We note that internal consumption and real estate remain persistent weak points, adding pressure for more aggressive policy interventions.
- In Malaysia, the domestic bond market saw MGS yield curve mostly unchanged movements, except for the 10-year, amidst profit-taking activities and a lack of domestic catalysts. The yields for the 3-year, 10-year, and 30-year MGS ended the month at 3.33% (+0 bps), 3.71% (-5 bps), and 4.18% (+0 bps), respectively. On economic data, headline inflation unexpectedly eased to 1.9% YoY in August, after remaining at 2.0% for the past three months. Compared to the previous month, the CPI rose by 0.1%. Year-to-date (YTD) through August 2024, inflation averaged 1.85% (January-August 2023: 2.9%). Due to minimal inflation effects from diesel subsidy changes and the anticipated delay in RON95 rationalization, we expect the full-year inflation for 2024 to be at the lower end of the official forecast (BNM forecast: 2.0% - 3.5%).
- Among regional peers, the MYR has benefited the most from the Fed's rate cut cycle. As of the end of September, the MYR recorded a YTD gain of 10.5% against the USD. Contributing to this outperformance is the influx of foreign funds into MYR assets-equities and bonds. In August 2024, there was a surge in net portfolio inflows of MYR 9 billion, the highest of the year, resulting in YTD inflows of MYR 17.7 billion. At the same time, the MYR has been heavily undervalued against its trading partners. Amid near-term overbought conditions, the pace of MYR gains may slow as short-term flows rotate into other Asian currencies that have lagged in the latest rally. However, the underlying drivers for further improvement in the MYR remain, particularly as the Fed eases rates while BNM is expected to keep rates on hold in 2024 and 2025.

STRATEGY:

- The portfolio remains diversified, with 30% in MYR-denominated bonds and 70% in non-MYR assets.
- The portfolio yield is approximately 5.0% with duration of 4.9 years. The portfolio has taken opportunity to lengthen the portfolio duration and hedge more as a result of declining USDMYR hedging cost.
- This reduction in hedging costs supports our ongoing strategy of holding foreign bonds, which continue to offer attractive yields, even after hedging. The portfolio blended hedging cost is now at 1.1-1.2%.
- Looking ahead, the fund is planning to reduce MYR holdings to around 25%, as the valuation remains expensive.

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 : 30 September 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.