Sun Life Malaysia Select Bond Fund

June 2023

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	7.76 million units (30 June 2023)	Fund Size	RM8.34 million (30 June 2023)
Unit NAV	RM1.0742 (30 June 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	AHAM Asset Management Berhad (FKA Affin Hwang Asset Management Berhad)	Target Fund	AHAM Select Bond Fund (FKA 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 AHAM Asset Management Berhad

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

Government	18.50%
Banks	17.40%
Industrials	11.40%
Real Estate	9.60%
Financial Services	8.00%
Energy	7.10%
Utilities	5.40%
Insurance	4.80%
Consumer Discretionary	3.70%
Basic Materials	2.90%
Telecommunications	2.30%
Consumer Staples	0.80%
Others	1.80%
Cash & Cash Equivalents	6.40%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.70
GII	3.73%	31.03.26	2.30
United States Treasury N/B	0.00%	07.09.23	2.10
GII	4.12%	30.11.34	1.70
MGS	3.76%	22.05.40	1.60
Dialog Group Bhd	4.15%	16.11.49	1.40
Santos Finance Ltd	5.25%	13.03.29	1.20
United States Treasury N/B	0.00%	25.07.23	1.20
MGS	4.64%	07.11.33	1.20
Scentre Group Trust 2	4.75%	24.09.80	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 30 June 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	0.19	0.13	0.19	1.22	-5.16	8.02	7.42
Benchmark	1.44	0.25	1.44	2.74	6.62	13.58	15.12

** 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

- Global bond yields including USTs saw a volatile month in June on the back of hawkish central banks actions: RBA and BOC hiked 25bp vs. expectations of hold, BOE raised by a larger than expected 50bp and FOMC revised its dot plot higher by another 50bps. Elsewhere, the PBoC diverged by cutting key policy rates by 10bps to stimulate growth. The 2-year, 5-year and 10-year UST yields ended the month at 4.90% (+49bps), 4.16% (+40bps) and 3.84% (+19bps) respectively. However, 30-year UST yield stood flat at 3.86%. The closely-watched spread between the 2-year and 10-year U.S. Treasury widened to 106bps.

- Latest US data indicate economy still not in recession territory. Labour market remain resilient but other indicators are showing signs of weakness. May US headline CPI and core CPI trended lower with CPI yoy +4.0% (April: +4.90%), core CPI yoy +5.3% (April: +5.4%) although still not within the inflation levels that the Fed is looking to achieve.

- The FOMC meeting in June saw a hawkish pause with the Fed keeping the door open for future hikes. 2023 GDP growth was revised higher to 1.1% from 0.4% previously and 2023 core PCE inflation was revised higher to 3.9% from 3.6% previously. As for the Dot plot, the median terminal rate projection was pushed higher to 5.6% in the Jun FOMC (from 5.1% in Mar 2023 FOMC), implying 50-bps more rate hike this year. This has resulted in market repricing interest rate cuts to 2024.

- It was a mixed session for Asian credits as liquidity stayed relatively thin due to the mid-year holidays in various markets leading to limited trading activity. In terms of fund flows, both emerging market bond funds and Asia ex Japan funds experienced outflows as investors stayed on the side lines. China high-yield bonds continued to underperform, reflecting the ongoing challenges in the China property sector Notably, China's property sales declined by 28% y-o-y in June, marking a negative trend since February 2023.

- On local fixed income, the 10-year MGS yield creeped 14 bps higher to settle at 3.85%. Malaysia's inflation eased further with the consumer price index (CPI) slowing to 2.8% from 3.3%. A sustained decline in inflationary pressure may put less pressure on Bank Negara Malaysia (BNM) to raise the Overnight Policy Rate (OPR) as it also weighs movements of the Ringgit.

STRATEGY:

- Despite a still hawkish Fed, market is pricing in that Fed is at the late stage of its tightening cycle. Expect volatility to persist near term from headline risk. A rate hike by the US FOMC in July will be data dependant with market expectations remaining fluid.

- We opine BNM may pause during the upcoming July MPC meeting as growth momentum moderate and inflation on a downtrend. The statement is expected to maintain a hawkish rhetoric while BNM monitors upcoming data.

- Look to lengthen duration in view of weakening growth environment and as global central banks near the end of their rate hike cycle.

- Increasing exposure to Ringgit bond market as bond yields are attractive after the correction on 2021-2022.

- We like government bonds exposure via short- dated UST given attractive yields. We also favor high quality IG corporate bonds for better yield. Expect credit spread in IG bonds to outperform HY bonds as global growth slows.

- We underweight China property sector as recovery will be slow – liquidity and funding remain challenging despite better policy support.

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 : 30 June 2023