

Sun Life Malaysia Select Bond Fund

May 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 | 9.02 million units (31 May 2024) | Fund Size | RM10.11 million (31 May 2024) |
| Unit NAV | RM1.1212 (31 May 2024) | 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">Have a medium to long term investment horizonRisk averse and conservative | Fees | <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 | 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 | 21.30% |
| Financial Services | 11.60% |
| Government | 10.40% |
| Real Estate | 10.40% |
| Energy | 8.10% |
| Utilities | 8.00% |
| Insurance | 5.70% |
| Industrials | 5.60% |
| Consumer Discretionary | 5.00% |
| Basic Materials | 3.20% |
| Others | 3.10% |
| Consumer Staples | 1.80% |
| Telecommunications | 1.80% |
| Cash & Cash Equivalents | 4.00% |
| Total | 100.00% |

TOP HOLDINGS OF THE TARGET FUND

| Bonds Issuer | Coupon | Maturity Date | % |
|--------------------------------|--------|---------------|-----|
| United States Treasury N/B | 4.00% | 15.02.34 | 2.5 |
| GII | 4.12% | 30.11.34 | 2.1 |
| Dialog Group Bhd | 4.15% | 16.11.49 | 2.1 |
| Scentre Group Trust 2 | 4.75% | 24.09.80 | 1.9 |
| Geely Automobile Holdings Ltd | 4.00% | 09.12.49 | 1.5 |
| YTL Power International Bhd | 4.30% | 24.08.29 | 1.4 |
| MGS | 3.76% | 22.05.40 | 1.3 |
| Government National Mortgage A | 6.00% | 20.02.54 | 1.3 |
| Yinson Production Offshore Pte | 9.63% | 03.05.29 | 1.2 |
| Indika Energy Tbk PT | 8.75% | 07.05.29 | 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 31 May 2024:

| % | YTD | 1M | 6M | 1-Year | 3-Year | 5-Years | Since Inception |
|------------------|------|------|------|--------|--------|---------|-----------------|
| Fund* | 2.37 | 0.60 | 3.68 | 4.51 | -4.30 | 6.10 | 12.12 |
| Benchmark | 1.11 | 0.22 | 1.35 | 2.79 | 7.49 | 12.97 | 18.02 |

* 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

- The minutes of the US Federal Reserve's May FOMC meeting similarly highlighted the lack of progress over inflation. Most Fed members expressed a lack of confidence in moving forward with interest rate reductions and emphasised patience regarding the timing of rate cuts. Despite recent positive inflation readings, Fed members noted that achieving the 2% target might take time.
- Fed Chair Jerome Powell, however, reassured investors by pushing back against the possibility of further rate hikes. At the same May FOMC meeting, the Fed opted to keep benchmark interest rates unchanged within the target range of 5.25% - 5.50%.
- US Treasury yields retreated in May, with the benchmark 10-Year yield dropping by 18 basis points to settle at 4.50%. Bond markets are anticipating two rate cuts by the end of the year, likely occurring between September and December.
- In the local bond market, the 10-year Malaysian Government Securities (MGS) yield slipped 9 basis points to settle at 3.89%. As anticipated, Bank Negara Malaysia (BNM) kept the overnight policy rate (OPR) unchanged at its Monetary Policy Committee (MPC) meeting in May.
- However, the central bank cited upside risks in growth and inflation due to withdrawals from Employee Provident Fund (EPF) Account 3. Additionally, the civil servant wage hike and further subsidy rationalisation measures could further stoke price pressures.

STRATEGY:

- With the correction in global bond market over the last 4 years, 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. High quality investment grade bonds are now yielding more than 5% in USD term as compared to less than 2% five years ago. That said, 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> |

RISKS

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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 May 2024

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.