Sun Life Malaysia Select Bond Fund

October 2021

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	8.11 million units (29 October 2021)	Fund Size	RM9.45 million (29 October 2021)
Unit NAV	RM1.1647 (29 October 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Affin Hwang Asset Management Berhad	Target Fund	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 Affin Hwang Asset Management Berhad

ASSET ALLOCATION

Bonds	Cash	Money Market Instruments/Deposits
Min 70%; Max 100%	Remaining Balance	Min 0%; Max 30%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

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SECTOR ALLOCATION OF THE TARGET FUND

Real Estate	21.3%
Banks	19.2%
Government	12.7%
Industrials	10.0%
Financial Services	8.0%
Energy	6.9%
Insurance	4.1%
Consumer Discretionary	3.8%
Utilities	2.8%
Telecommunications	2.2%
Basic Materials	2.1%
Consumer Staples	0.8%
Others	1.1%
Cash & Cash Equivalents	4.9%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
China Government Bond	2.68%	21.05.30	1.9
MGS	4.64%	07.11.33	1.6
GII	3.73%	31.03.26	1.5
Yinson Juniper Ltd	7.85%	05.10.49	1.4
Santos Finance Ltd	5.25%	13.03.29	1.4
Eco World Capital Services Bhd	6.50%	12.08.22	1.2
Yinson Juniper Ltd	8.10%	29.03.49	1.1
Standard Chartered PLC	6.00%	29.12.49	1.1
MUFG Bank Malaysia	2.88%	24.03.23	1.1
Tan Chong Motor Holdings Bhd	4.70%	24.11.21	1.1

PERFORMANCE RECORD

This fund feeds into Affin Hwang 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 29 October 2021:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
Fund*	-0.42	-1.31	-1.65	0.11	1.01	15.58	16.47
Benchmark	1.54	0.15	0.45	0.92	1.84	7.69	10.65

** 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

- We expect continued near-term market volatility due to upcoming US Fed tapering announcement and as DM sovereign yield curves price in hawkish repricing due to inflation concerns. Global bond yields are expected to remain under pressure but unlikely to move too much higher from current levels with aggressive hikes already priced in.

- The Asian credit space endured yet another uninspiring month, with the Chinese property segment sentiments souring further as investors reacted to more rating downgrades and rising default risks.

- The BOC delivered a hawkish shift in policy stance as it ended QE and hinted at a rate hike as soon as the middle of 2022.

- Chinese property developer Evergrande averted default for the second time in October after making an overdue interest payment to offshore bond holders. Sentiment continues to be weak amidst fears that the crisis in the Chinese real estate market could spill over into the wider economy.

- The Reserve Bank of Australia refrained from defending its 3-year bond yield target despite having previously introduced its yield curve control policy to keep it at 0.1%. The lack of intervention saw yields spike to 0.8%. While the RBA is expected to provide more clarity on its inaction, markets have perceived this as a hawkish shift.

STRATEGY:

- We expect continued near-term market volatility due to upcoming US Fed tapering announcement and as DM sovereign yield curves price in hawkish repricing due to inflation concerns. Global bond yields are expected to remain under pressure but unlikely to move too much higher from current levels with aggressive hikes already priced in.

- Given recent attractive valuations, we have taken the opportunity to nibble into short-tenured papers within the Chinese property sector. Nevertheless, we remain cautious on Chinese HY properties sector and prudent on credit selection.

- Cash level is at about 5% now. The fund maintains a neutral positioning on duration, which remains at 4.7 years, while the fixed income yield is at 4.2%. The breakdown of IG versus HY and unrated bonds are 66% and 13% respectively.

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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 : Affin Hwang Asset Management Berhad
Date : 29 October 2021