

Sun Life Malaysia Select Bond Fund

September 2022



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 | 6.91 million units (30 September 2022) | Fund Size | RM7.22 million (30 September 2022) |
| Unit NAV | RM1.0457 (30 September 2022) | 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: <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 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

| | |
|-------------------------|--------|
| Banks | 19.8% |
| Real Estate | 13.4% |
| Industrials | 11.6% |
| Financial Services | 10.6% |
| Government | 9.7% |
| Energy | 5.9% |
| Insurance | 4.9% |
| Basic Materials | 3.9% |
| Consumer Discretionary | 3.4% |
| Utilities | 3.3% |
| Telecommunications | 2.3% |
| Consumer Staples | 0.8% |
| Others | 1.0% |
| Cash & Cash Equivalents | 9.4% |
| Total | 100.0% |

TOP HOLDINGS OF THE TARGET FUND

| Bonds Issuer | Coupon | Maturity Date | % |
|-------------------------------|--------|---------------|-----|
| Yinson Juniper Ltd | 8.10% | 29.03.49 | 2.1 |
| Yinson Juniper Ltd | 7.85% | 05.10.49 | 2.1 |
| MGS | 4.64% | 07.11.33 | 2.1 |
| GII | 3.73% | 31.03.26 | 2.0 |
| GII | 4.12% | 30.11.34 | 1.5 |
| MGS | 3.76% | 22.05.40 | 1.3 |
| DNB Bank ASA | 4.88% | 12.11.49 | 1.3 |
| Phoenix Group Holdings PLC | 4.75% | 04.09.31 | 1.3 |
| Dialog Group Bhd | 4.15% | 16.11.49 | 1.2 |
| Geely Automobile Holdings Ltd | 4.00% | 09.12.49 | 1.2 |

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 30 September 2022:

| % | YTD | 1M | 3M | 6M | 1-Year | 3-Years | Since Inception |
|------------------|-------|-------|-------|-------|--------|---------|-----------------|
| Fund* | -9.31 | -2.60 | -1.47 | -5.01 | -11.40 | -4.39 | 4.57 |
| Benchmark | 1.55 | 0.20 | 0.60 | 1.09 | 2.02 | 6.54 | 12.72 |

* 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 US 10-Year Treasury yields spiked to 3.8%, while the US dollar soared to a 20-year high as the Fed's latest dot-plot signals further rate hikes for the rest of the year. September 2022 FOMC meet saw the Federal Funds Rate raised by 75bps for third straight time to 3.00%-3.25%. Bond markets are forecasting the policy rate to rise to 4.40% by the end of 2022 before topping out at 4.60% in 2023.
- High inflation remained the dominant theme in Q3 as inflation continued to reach fresh highs, especially in Europe. Notable upside surprises came from the US and the eurozone in both their headline and core figures in September. In US, Headline CPI slowed to +8.3% y-o-y, raising hopes that inflation has peaked. However, core CPI surprised to the upside at +6.3% y-o-y due to sticky shelter prices.
- Asian credit continued to be under pressure driven by the continued volatility in global rates and developments around China's HY property sector. Several credit rating downgrades were seen in China's property sector attributed to weaker sales and challenging economic outlook. However, the government was also seen stepping in with easing measures.
- After weeks of resilience, Malaysian government bonds was not spared with yields moving higher in line with global rates movement. The recent selloff reversed all the rally in July-August. Headline inflation accelerated for the fifth straight month to +4.7% y-o-y in August driven by higher Food prices. Core inflation quickened to 3.8% which affirms continued recovery in domestic demand.

STRATEGY:

- The Fed's tightening and withdrawal of liquidity continued to be the key headwinds in the near term. The Fed is looking to continue hiking interest rates as long as headline inflation remains elevated. Bond yields have priced in substantial hikes and there are signs that inflation is peaking.
- Bond yields have priced in substantial hikes and there are signs that inflation is peaking. Market is pricing for US interest rate to rise to approximately 4.7% by March 2023.
- Cash level was reduced to around 9%, though the Fund intends to stay defensive. Duration positioning remains short at around 4.2 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.8%.
- Valuations are attractive but maintain defensive stance as yields could continue rising in near term due to hawkish central banks. Look to gradually nibble into good quality Investment Grade names offering good carry while maintaining high cash level in this volatile period.

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 : Affin Hwang Asset Management Berhad

Date : 30 September 2022

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.