

# Sun Life Malaysia Select Bond Fund

January 2023



## 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	6.90 million units (31 January 2023)	Fund Size	RM7.57 million (31 January 2023)
Unit NAV	RM1.0971 (31 January 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: <ul style="list-style-type: none"><li>Have a medium to long term investment horizon</li><li>Risk averse and conservative</li></ul>	Fees	<ul style="list-style-type: none"><li>Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Select Bond Fund</li><li>Up to 1.0% p.a. of fund management charge is applied on the Target Fund's NAV by AHAM Asset Management Berhad</li></ul>

## 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	18.2%
Real Estate	14.9%
Government	10.9%
Industrials	10.5%
Financial Services	8.1%
Energy	6.1%
Insurance	4.8%
Utilities	3.7%
Consumer Discretionary	3.4%
Basic Materials	2.9%
Telecommunications	2.4%
Technology	0.8%
Others	1.2%
Cash & Cash Equivalents	12.1%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.3
GII	3.73%	31.03.26	2.1
GII	4.12%	30.11.34	1.5
MGS	3.76%	22.05.40	1.5
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
MGS	4.64%	07.11.33	1.1
Santos Finance Ltd	5.25%	13.03.29	1.1
MUFG Bank Malaysia	2.88%	24.03.23	1.0

## 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 January 2023:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
<b>Fund*</b>	2.32	2.32	7.24	2.92	-3.10	-1.81	9.71
<b>Benchmark</b>	0.24	0.24	0.71	1.33	2.33	6.43	13.76

\* 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 fixed income market continued to rally in January 2023, driven by waning uncertainties amidst signs of slowing global growth and softening inflation. Market sentiment continues to improve due to optimism that the current monetary policy hiking cycle by global central banks are nearing the end. US Treasury yields rallied during the month.
- The Chinese property sector saw contracted sales from top developers fall 32% y-o-y in January. However, we will likely see improvements as talks of new supportive policies continue. China's government is drafting a comprehensive action plan to aid developers in the financing and managing of debts.
- Adani Group saw a plunge between 6-16 points in its bonds following a published report by US firm Hindenburg Research which alleged the improper use of offshore tax havens as well as concerns of high debt. Global rating agencies mentioned that ongoing developments will likely reduce the group's ability to raise cash, whilst S&P took negative rating action by revising Adani Ports and Adani Electricity Mumbai's outlooks to negative
- Malaysian bonds rallied during the month in line with lower UST yields and after BNM's MPC delivered a surprise pause during its January meeting. The MPC decided to pause and monitor effects of the past 100bps hike, a cautious approach on the back of rising risk of a global recession. 10-year ended the month lower at 3.81% (-28 bps).

### STRATEGY:

- The bond market has stabilized, with markets now pricing in a pause in the Fed's rate hike cycle in 1Q2023. In order to capitalize on this, the Fund is looking to lengthen duration in 1H2023. Bond valuations have become attractive. Actively deploying cash back into good quality Investment Grade credits with 5-7% yields.
- The positioning of the Fund is underweight High Yield, as we expect a slowdown in global growth could lead to more liquidity and credit rating downgrade pressures. The Fund is also underweight the China property sector despite better policy support, as property sales will take a while to recover and liquidity and funding remains challenging.
- We also look to increase the Fund's exposure to the MYR bond market as yields are quite attractive after the correction in 2021-2022, and to reduce USD exposure as we expect USD to underperform in 2023.
- While market sentiment has improved, our cautious stance remains at this juncture with cash level was kept at around 12% and a continued focus on quality. Duration positioning remains short at around 4.3 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.5%.

## RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

<b>Market risk</b>	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.
<b>Liquidity risk</b>	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.
<b>Credit and default risk</b>	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.
<b>Interest rate risk</b>	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.
<b>Currency risk</b>	<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 : 31 January 2023

#### 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.