

# Sun Life Malaysia Select Bond Fund

July 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.

## INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at <https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/> for more information on the Investment Strategy and Approach for the target fund.

## FUND DETAILS

Launch Date	16 January 2018	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	9.92 million units (31 July 2024)	Fund Size	RM11.20 million (31 July 2024)
Unit NAV	RM1.1291 (31 July 2024)	Target Fund	AHAM Select Bond Fund
Fund Manager	AHAM Asset Management Berhad	Taxation	8% of annual investment income
Performance Benchmark	Maybank 12-Month Fixed Deposit Rate	Frequency and Basis of Unit Valuation	The unit price is determined daily based on value of the holdings in the target fund, net of expenses, divided by the total number of units in that fund
Target Market	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>	Fund Management Charge	<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
Minimum 70% of Net Asset Value (NAV)	Maximum 30% of NAV

# Sun Life Malaysia Select Bond Fund

July 2024



## SECTOR ALLOCATION OF THE TARGET FUND

Banks	20.40%
Financial Services	10.60%
Government	9.70%
Real Estate	9.30%
Energy	8.80%
Utilities	8.50%
Insurance	6.10%
Industrials	6.10%
Consumer Discretionary	4.90%
Basic Materials	2.90%
Consumer Staples	1.80%
Technology	1.70%
Others	3.20%
Cash and Cash Equivalent	6.00%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
United States Treasury N/B	4.0%	15.02.2034	2.4%
GII	4.1%	30.11.2034	2.2%
Dialog Group Bhd	4.2%	16.11.2049	2.1%
Scentre Group Trust 2	4.8%	24.09.2080	1.9%
Geely Automobile Holdings Ltd	4.0%	09.12.2049	1.5%
YTL Power International Bhd	4.3%	24.08.2029	1.4%
MGS	3.8%	22.05.2040	1.4%
Government National Mortgage A	6.0%	20.02.2054	1.3%
Standard Chartered PLC	3.5%	12.02.2030	1.3%
Yinson Production Offshore Pte	9.6%	03.05.2029	1.2%

## PERFORMANCE RECORD

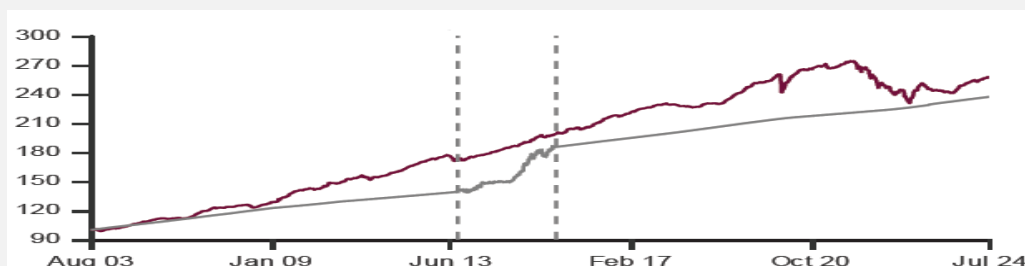
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

Table below shows the investment returns of Sun Life Malaysia Select Bond Fund versus its benchmark as at 31 July 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	3.10	0.08	2.16	5.38	-4.65	4.75	12.91
<b>Benchmark</b>	1.55	0.22	1.31	2.73	7.62	12.86	18.52

\* Calculation of past performance is based on NAV-to-NAV

Graph Below shows the historical performance of the underlying collective investment schemes (CIS) for calendar year returns:



Source: [www.morningstar.com](http://www.morningstar.com)

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](mailto:wecare@sunlifemalaysia.com) [sunlifemalaysia.com](http://sunlifemalaysia.com)

## FUND MANAGER'S COMMENTS

- July was a solid month for fixed income. US Treasuries posted strong gains as easing inflation and mixed economic growth data outweighed the Fed's higher dot plot median guidance. US Treasury yields for the 2-year, 10-year, and 30-year ended the month at 4.26% (-50 bps), 4.03% (-37 bps), and 4.30% (-26 bps), respectively. US headline CPI fell by -0.1% m-o-m in June (consensus: +0.1%; May: +0.0%), while core inflation also cooled (June: +0.1% m-o-m; May: +0.2%), driven by a broad-based cooling in prices, including energy, shelter, and transportation. This is the lowest reading since May 2020. On a y-o-y basis, headline CPI and Core PCE are at +3.0% (May: +3.3%) and +3.3% (May: +3.4%), respectively.
- Growth remains decent, but a slowdown is becoming more evident. 2Q24 US GDP growth was reported at +2.8% q-o-q, compared to the consensus of +2.0% (1Q24: +1.4%), driven by a recovery in goods consumption and increased government spending and non-residential investments. Nevertheless, more recent company surveys suggest weaker nominal GDP growth, and leading indicators imply that labour income will continue to slow, potentially leading to a further uptick in the unemployment rate (June: 4.1% vs. survey: 4.0%). In the most recent FOMC meeting on July 30/31, Powell was deemed dovish, with the focus shifting to the employment mandate and less concern about inflation. While the economy continues to create jobs, the slower pace and increasing unemployment signal a balanced labour market. The moderation in job growth should also lead to slower wage increases, which may help keep inflation on track toward the Fed's 2% target.
- The People's Bank of China (PBOC) unexpectedly lowered the rate on its one-year policy loans by the most since April 2020, days after cutting a key short-term rate, in a sign of greater support for the slowing economy. The central bank lowered the rate of the medium-term lending facility (MLF) by 20 basis points to 2.3%
- Domestically, stronger US Treasury flows have entered our local fixed-income market. MGS yields experienced a bull flattening, primarily due to lower US Treasury yields, with BNM maintaining the Overnight Policy Rate (OPR) at a stable level and supported by strong domestic liquidity. Yields for the 3-year, 10-year, and 30-year bonds ended the month at 3.37% (-16 bps), 3.72% (-14 bps), and 4.15% (-7 bps), respectively.

### STRATEGY:

- Following the recent rally in U.S. Treasuries, the fund has adjusted its strategy by reducing its duration to 3.7 years. The fund has also increased its USD hedge, with the open USD position now at 10%. Despite this increased hedge, the fund remains positive on investment-grade (IG) bonds and is actively monitoring for favorable opportunities to deploy capital.
- This approach ensures the fund to capitalize on potential upside in high-quality bonds while navigating the current interest rate environment.
- Currently, the portfolio is allocated with 30% in Malaysian Ringgit (MYR) bonds, while the remaining allocation is concentrated in an unchanged offshore strategy.
- In terms of duration management, the fund is adopting a cautious approach. The fund is looking for a further retracement in interest rates before considering an extension of duration.

## 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>

## RISKS

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

### 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 July 2024**

#### **Disclaimer:**

This is strictly the performance of the investment fund, and not the returns earned on the actual premiums paid of the investment-linked product. Past performance of the fund is not an indication of its future performance. 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.