Sun Life Malaysia Select Bond Fund

April 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	7.02 million units (29 April 2022)	Fund Size	RM7.67 million (29 April 2022)
Unit NAV	RM1.0924 (29 April 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: ▪ 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%

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SECTOR ALLOCATION OF THE TARGET FUND	
Banks	18.2%
Real Estate	16.5%
Industrials	10.8%
Government	9.5%
Financial Services	8.6%
Energy	5.2%
Insurance	4.6%
Consumer Discretionary	3.1%
Basic Materials	2.6%
Utilities	2.0%
Telecommunications	1.7%
Consumer Staples	0.7%
Others	1.5%
Cash & Cash Equivalents	15.0%
Total	100.0%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
GII	3.73%	31.03.26	1.8
MGS	4.64%	07.11.33	1.8
Yinson Juniper Ltd	7.85%	05.10.49	1.7
Eco World Capital Services Bhd	6.50%	12.08.22	1.4
Yinson Juniper Ltd	8.10%	29.03.49	1.4
GII	4.12%	30.11.34	1.3
Phoenix Group Holdings PLC	4.75%	04.09.31	1.2
DNB Bank ASA	4.88%	12.11.49	1.2
MGS	3.76%	22.05.40	1.2
CIFI Holdings Group Co Ltd	6.55%	28.03.24	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 April 2022:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
Fund*	-5.26	-0.76	-3.52	-6.21	-6.10	3.97	9.24
Benchmark	0.60	0.15	0.45	0.91	1.85	6.93	11.67

** 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.

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FUND MANAGER'S COMMENTS

- In April, global bond markets continued the selloff amid fears of rising, stickier inflation, and tighter monetary policy. In the US, the March CPI rose +8.5% yoy (Feb: +7.9%) while March PPI rose +11.2% yoy (Feb: +10%). In the Eurozone, CPI remained high at +7.4% yoy in March (Feb: +7.5%) as energy cost continue to remain elevated.

- The U.S Federal Reserve signaled that they would take a more aggressive approach to fight high inflation hinting that they could hike interest rates by 50bps rather than traditional 25bps increases, while suggesting that the Fed believes that multiple rate hikes "could be appropriate" this year. On quantitative tightening, U.S Fed officials reiterated that the Fed's bond holdings will "shrink considerably more rapidly over "a much shorter period" than the last time it reduced its balance sheet.

- The ECB joined the Fed in accelerating its bond-buying scheme and has indicated that the programme will come to an end in the Q3. ECB also hinted that they may start to hike interest rate once the stimulus programme comes to an end. Elsewhere, the Bank of New Zealand raised interest rates by 50bps to 1.50%, biggest hike in over 20 years. The Central's decision was to take the cash rate to a more neutral stance and prevent high inflation becoming entrenched.

- Separately, the People's Bank of China announced a 100bps cut to the reserve requirement ratio for foreign currency deposits (FC RRR) to 8% from current 9% with effect from 15 May 2022. The move will release more foreign currency liquidity into the onshore market and ease pressure on the CNY depreciation. Capital outflows from China have accelerated in March driven by more hawkish Fed while uncertainty from the Russia-Ukraine conflicts and worsening outlook in China due to Covid-19 restrictions are also spurring greater outflow pressure.

STRATEGY:

- The global rates environment is likely to remain volatile as the Fed has signalled more aggressive rate hikes to come. Markets are pricing in bigger rate hikes as rising inflation continue to be a concern. Markets will be watching further details on upcoming US balance sheet reduction which may impact market liquidity.

- We remain cautious on Chinese property market as sentiment remains weak. Current Chinese HY property exposure is around 4%. The Fund now also has a higher USD open position while, taking profit on RMB bonds on expectation of dollar strength and higher treasury yields.

- Cash level remains at around 15%, with the Fund intending to stay defensive. As such, duration positioning remains short at around 4.2 years. The current fixed income yield is at 6.2%. The breakdown of IG versus HY and unrated bonds remains at around 54% and 9% respectively.

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. <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.

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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 April 2022