Sun Life Malaysia Select Bond Fund
December 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	12.38 million units (31 July 2024)	Fund Size	RM13.94 million (31 July 2024)
Unit NAV	RM1.1267 (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: ▪ Have a medium to long term investment horizon ▪ Risk averse and conservative	Fund Management Charge	▪ 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 AHAM Asset Management Berhad

ASSET ALLOCATION

Bonds	Cash
Minimum 70% of Net Asset Value (NAV)	Maximum 30% of NAV

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SECTOR ALLOCATION OF THE TARGET FUND

Banks	26.4%
Utilities	9.9%
Energy	9.6%
Real Estate	8.9%
Consumer Discretionary	7.9%
Industrials	7.8%
Insurance	7.8%
Financial Services	7.1%
Government	2.2%
Telecommunications	1.8%
Consumer Staples	1.7%
Technology	1.6%
Cis	1.5%
Basic Materials	1.4%
Health Care	0.8%
Commercial Services	0.2%
Cash And Cash Equivalent	3.3%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Genting Capital Bhd	4.9%	08.06.2027	3.4
Dialog Group Bhd	4.2%	16.11.2027	2.3
Scentre Group Trust	4.8%	24.06.2026	2.1
Bank Negara Indonesia	4.3%	24.03.2027	1.5
YTL Power International Bhd	4.3%	24.08.2029	1.5
Standard Chartered PLC	3.5%	12.02.2025	1.4
Yinson Production Offshore Pte	9.6%	03.05.2027	1.3
Celestial Dynasty Ltd	6.4%	22.07.2028	1.3
HDFC Bank Ltd	3.7%	25.08.2026	1.2
QBE Insurance Group Ltd	5.9%	17.06.2026	1.2

PERFORMANCE RECORD

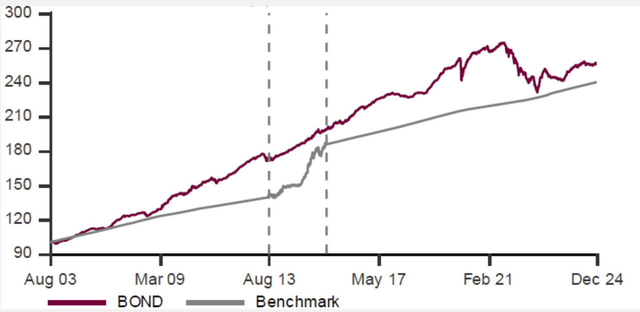
This fund feeds into AHAM Select Bond Fund ("Target Fund") with the objective to provide a steady income stream over the medium to long-term period through investments primarily in bonds and other fixed income securities.

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

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	2.88	-0.16	-0.13	2.88	-2.29	2.14	12.67
Benchmark	2.62	0.21	1.28	2.62	7.92	12.36	19.20

** 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

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FUND MANAGER'S COMMENTS

- In December 2024, the US Treasury market experienced upward pressure on yields, particularly on the 10-year US Treasury yields, driven by several key factors. Economic data came in stronger than expected, with robust US GDP growth and a tight labor market, while core inflation readings remained sticky above the Federal Reserve's 2% target.

- The Federal Reserve continued its path of interest rate reductions by cutting the federal funds rate (FFR) by 25 basis points during the recent Federal Open Market Committee (FOMC) meeting held on December 17-18, 2024. This adjustment lowered the rates to a range of 4.25% to 4.50%, marking a total of 100 basis points in cuts since September 2024 (with a total of three cuts this year). While the Fed signaled its commitment to further interest rate reductions, it also expressed caution regarding the pace of monetary easing. The FOMC statement included the phrase, "In considering the extent and timing of additional adjustments to the target range for the federal funds rate," indicating a more deliberate approach moving forward. Chair Powell noted that the recalibration phase of the policy rate had been completed, and the Fed would proceed more carefully in the next phases of policy adjustments.

- The latest December 2024 dot plot revealed that policymakers now anticipate fewer interest rate cuts in 2025, with a median estimate of 3.9% and two cuts, compared to the previous projection in September, which indicated a median rate of 3.4% and four cuts. Additionally, the Fed raised its core PCE inflation median forecast for 2025 to 2.5%, up from the September estimate of 2.2%, reflecting inflationary pressures potentially stemming from upcoming policies of a potential Trump administration. US Treasury benchmark yields repriced higher after the December FOMC meeting, amidst expectations of a lower number of interest rate cuts in 2025. The 2-year, 10-year, and 30-year US Treasury yields ended the month at 4.24% (+9 bps), 4.57% (+40 bps), and 4.78% (+42 bps), respectively. US headline CPI was marginally higher at 0.3% month-over-month in November (consensus: +0.3%; October: +0.2%), even as core inflation remained stable at +0.3% (October: +0.3%). On a year-over-year basis, the headline CPI and Core PCE registered +2.7% (October: +2.6%) and +3.3% in November (October: +3.3%), respectively. Meanwhile, the US Core PCE in November, year-over-year, remained stable at +2.8% (October: 2.8%), which came in lower than consensus (+2.9%). Month-over-month, core PCE in November also came in lower at +0.1% (October: +0.3%) than consensus (+0.2%).

- Domestically, MGS yields were resilient on a month-over-month basis amidst higher US Treasury yields. The yields for 3-year MGS ended the month at 3.48% (-6 bps), while the 10-year and 30-year MGS were flat at 3.81% and 4.18%, respectively. Malaysia's GDP for Q3 2024 was reported at 5.3% (Q2 2024: 5.9%), in line with earlier projections, driven by a robust investment upcycle (both private and public investments). The expansionary budget planned for 2025 is expected to maintain a positive growth outlook (MOF's estimate: 4.5% to 5.5% in 2025), factoring in uncertainties surrounding US trade policies and tariffs. Headline and core inflation moderated to 1.8% year-over-year in November (October: CPI +1.9%, core CPI +1.8%). Year-to-date (YTD) November, inflation averaged 1.8% (YTD: January-November 2023: +2.6%). Upside risks to inflation include fuel subsidy rationalization (estimated for July 2025) and the broader Sales and Service Tax (SST) starting in May 2025. The Ministry of Finance (MOF) has forecast inflation to be in a range of 2.0% to 3.5% in 2025 (2024: 1.5% - 2.0%). With this in mind, we expect Bank Negara Malaysia (BNM) to keep the overnight policy rate (OPR) steady at 3.00% in 2025, as the central bank seeks greater clarity on domestic price policy changes and the implications of Trump's foreign policy

STRATEGY:

- The portfolio remains diversified, with ongoing efforts to increase foreign bond allocations. The recent rise in foreign bond yields presents opportunities, while MYR bond yields have remained relatively stable.

- Currently, the portfolio yield is at 5%, with approximately 3% held in cash. In December, portfolio duration was slightly shortened to 4.3 years. The portfolio maintains a 5% open position in USD and has increased its open position in AUD as AUDMYR declined to 2.8. The total AUD open position now stands at 5%.

- The portfolio continues to see attractive opportunities in AUD and USD bonds and aims to further increase exposure in these spaces.

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 : AHAM Asset Management Berhad
Date : 31 December 2024

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