Sun Life Malaysia Select Bond Fund

July 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	7.85 million units (31 July 2023)	Fund Size	RM8.41 million (31 July 2023)
Unit NAV	RM1.0715 (31 July 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: ▪ 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 AHAM 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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Sun Life

SECTOR ALLOCATION OF THE TARGET FUND

Banks	17.60%
Government	17.20%
Industrials	11.60%
Real Estate	9.40%
Financial Services	7.90%
Energy	6.10%
Utilities	5.00%
Insurance	4.30%
Consumer Discretionary	4.10%
Basic Materials	3.00%
Others	2.50%
Telecommunications	2.40%
Technology	1.30%
Cash & Cash Equivalents	7.60%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.70
GII	3.73%	31.03.26	2.30
United States Treasury N/B	0.00%	07.09.23	2.10
GII	4.12%	30.11.34	1.80
MGS	3.76%	22.05.40	1.70
MGS	4.64%	07.11.33	1.60
Dialog Group Bhd	4.15%	16.11.49	1.40
Santos Finance Ltd	5.25%	13.03.29	1.20
Scentre Group Trust 2	4.75%	24.09.80	1.20
Westpac Banking Corp	2.89%	04.02.30	1.20

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 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	-0.07	-0.25	-2.33	0.52	-6.49	7.16	7.15
Benchmark	1.67	0.23	1.43	2.78	6.70	13.52	15.38

** 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

- US Treasury shifted higher during the month, shaping the bear steepening move. UST was seen rebounding post-FOMC, but the advance US 2Q GDP print surprised on the upside while news on discussion on a potential tweak to BOJ's yield curve control unnerved the markets. The 2-year, 5-year and 10-year yields ended the month at 4.88% (-2bps), 4.18% (+2bps) and 3.96% (+12bps) respectively. The 30-year UST also went higher by 15bps to close the month at 4.01%. As a result, the inversion between the 2-year and 10-year US. Treasury narrowed to -92bps (June 2023: -106bps).

- Latest US Headline CPI came in soft at 3.0% YoY (May: 4.0%) and core CPI fell further to 4.8% YoY (May: 5.3%). Additionally, the US PPI for June showed a minimal growth of just 0.1%. As expected, used car prices began to decline, and shelter prices continued to moderate.

- The July FOMC meeting resulted in another 25bps hike, bringing the rate to 5.50%. However, the possibility of softer CPI in the upcoming months raises the bar for a September hike. Chair Powell reiterated the data-dependency path on rate direction, meeting by meeting. As of end July 2023, the futures market was pricing for the Fed to hold rate until end-2023. We believe that the cumulative effect of tighter monetary policy and stricter lending conditions will increasingly restrain economic activity and growth. As borrowing costs rise, it will eventually become more challenging for consumers to fund their spending with debt.

- In Asia, the Bank of Japan surprised by adjusting its yield curve control, widening the upper limit by a further 50 bps which markets interpreted as a subtle sign of policy tightening. The Chinese property sector continue to lag as property sales remain weak. However, positive sentiment was seen for the Chinese property sector as regulators conclude their fine for Ant Group.

- On local fixed income, the 10-year MGS yield dipped 2 bps to close at 3.83%. Bank Negara Malaysia kept the overnight policy rate (OPR) unchanged during its policy meeting in July, citing that the current OPR level remains accommodative. Malaysia's Consumer Price Index (CPI) continued to soften in June reaching 2.40%, marking the lowest level observed this year. Core inflation also eased to 3.10% y-o-y in June, a decrease from 3.50% y-o-y in May. This downward trend in inflation is anticipated to persist as the lagged effects of BNM's rate hikes filter through the economy, coupled with a high-base effect.

STRATEGY:

- Mixed signals from U.S. economic data, leading to increased market conviction that the U.S. may avoid a recession. The Fed's hiking cycle looks to be near its end. Risk appetite seen returning to the emerging markets, which are more shielded against inflation.

- Lower government bond supply in 2H2023, easing inflationary pressure and resilient demand from domestic investors to provide support. However, heavy duration supply in August may see market turns defensive. State election across 6 states would be coming up on 12 August 2023, but this would probably be noise to financial markets as it wouldn't affect the federal government much. As such, we expect a range bound yield movement in the near term as market reacts to headline risks.

- Look to lengthen duration in government bonds as central banks near end of their rate hike cycle. We continue to prefer IG bonds, which could be defensive and provide positive returns as global growth slows (and potentially recessions in various DM countries).

- Smaller exposure to HY bonds as a slowdown in global growth could lead to more liquidity and credit rating downgrades. Not much weight in China property sector as recovery expected to be slow despite policy support. Increasing exposure to MYR bonds due to attractive yields.

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 July 2023