Sun Life Malaysia Select Bond Fund

March 2023

Sun Life

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	6.75 million units (31 March 2023)	Fund Size	RM7.27 million (31 March 2023)
Unit NAV	RM1.0768 (31 March 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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SECTOR ALLOCATION OF THE TARGET FUND

Banks	17.60%
Government	14.10%
Real Estate	14.00%
Industrials	11.00%
Financial Services	7.80%
Energy	6.90%
Utilities	4.50%
Insurance	4.30%
Consumer Discretionary	3.40%
Basic Materials	3.10%
Telecommunications	2.20%
Consumer Staples	0.70%
Others	1.00%
Cash & Cash Equivalents	9.40%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
Yinson Juniper Ltd	8.10%	29.03.49	2.4
GII	3.73%	31.03.26	2.2
United States Treasury	0.00%	07.09.23	1.9
GII	4.12%	30.11.34	1.6
MGS	3.76%	22.05.40	1.5
Dialog Group Bhd	4.15%	16.11.49	1.3
MGS	4.64%	07.11.33	1.1
Santos Finance Ltd	5.25%	13.03.29	1.1
United States Treasury	0.00%	25.07.23	1.1
MGS	3.50%	31.05.27	1.1

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 March 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	0.43	-1.72	2.97	-2.18	0.64	8.23	7.68
Benchmark	0.70	0.24	1.39	2.49	6.45	13.70	14.28

** 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 Treasuries rallied during the month on the back of safe-haven demand amid rising concerns following the financial institutions turmoil. US Sovereign Credit Default Rates and the bond market volatility index, surged higher amid rising concerns in the sector and damaging ripple effects to the economic growth outlook.

- Key data releases on U.S. inflation, indicate that inflation may have peaked and on a declining trend, but remain elevated and sticky - core February CPI declined to 5.5% from 5.6% in January. In addition, the core prices also decelerated, increasing at a monthly rate of 0.3% and an annual rate of 4.6%, compared to 0.5% and 4.7% in January.

- As of end March 2023, the 2-year and 10-year UST yields was at 4.03% (-79 bps) and 3.47% (-45 bps) respectively. The UST 2y/10y yield inversion reduced to -56 from -90 bps, still indicating recession risk. In line with the decline in the global rates, MGS yields ended lower though profit-taking activities curtailed the drop in bond yields.

- Sentiments for Additional Tier 1 (AT1) bonds was remain poor given the unprecedented action taken by Swiss regulators to write down of Credit Suisse AT1 bonds as part of the emergency rescue package. We have seen regulators in countries like Hong Kong and Singapore issuing statements to assure bondholders that the hierarchy will be respected i.e. shareholders in their jurisdictions would take losses before AT1 holders in the resolution of a financial institution.

- In the China property space, the top 100 China developers saw sales growth of 30% year-on-year in March 2023 The jump in sales in March was mostly due to base effects as parts of China were in Covid lockdowns back in the previous year. On a month-on-month basis, the sales growth is up 38 and there is seasonality in play. If the figures were compared to the 3 year average (excluding 2022), March sales was down by 26, which is still an encouraging trend given that sales were down 40 to 60 from 2Q 22 to 4Q 22.

STRATEGY:

- The most recent developed markets banking crisis of confidence have readjusted the market expectation of peak US terminal rate and led to lower UST benchmark yields. Given the accumulated impact of policy tightening and lagged impact on the economy, the current strength in economic data is expected to taper off. Overall, we still expect weaker growth globally for 2023 on the back of financial institution turmoil and aggressive hikes of interest rates to curb the elevated level of inflation rate.

- We p refer to have higher credit quality exposure, higher cash levels and increased positioning in government bonds. We have a more positive view on rates, but remain cautiously positioned as recession risk has risen amid weaker economic outlook.

- On credits, we continue to focus on IG corporate bonds for consistent income by reducing HY corporate bond allocation. Expect a slowdown in global growth could lead to more credit rating downgrade pressures and bond yields could move higher.

- We have increased MYR bonds allocation to 36.5% as bond yields appeared quite attractive. We are also looking to hedge USD exposure as USD may underperform given the Fed nears the end of its rate hike cycle. Duration positioning remains short at around 3.9 years amidst prevailing uncertainties and market volatility. The current fixed income yield is at 7.2%.

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 March 2023

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