

# Sun Life Malaysia Select Bond Fund

May 2021



## 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	7.87 million units (31 May 2021)	Fund Size	RM9.22 million (31 May 2021)
Unit NAV	RM1.1716 (31 May 2021)	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: <ul style="list-style-type: none"><li>Have a medium to long term investment horizon</li><li>Risk averse and conservative</li></ul>	Fees	<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 Affin Hwang Asset Management Berhad</li></ul>

## 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

Real Estate	23.40%
Banks	19.40%
Government	12.60%
Industrials	9.50%
Energy	6.40%
Financial Services	5.90%
Insurance	3.60%
Utilities	3.00%
Consumer Discretionary	3.00%
Telecommunications	2.20%
Basic Materials	2.00%
Technology	0.80%
Others	1.00%
Cash & Cash Equivalents	7.20%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Bonds Issuer	Coupon	Maturity Date	%
China Government Bond	2.68%	21.05.30	1.7
United States Treasury N/B	0.63%	15.08.30	1.6
MGS	4.64%	07.11.33	1.5
Santos Finance Ltd	5.25%	13.03.29	1.3
GII	3.73%	31.03.26	1.1
Eco World Capital Assets Bhd	6.50%	12.08.22	1.1
Yinson Juniper Ltd	7.85%	05.10.49	1.1
Standard Chartered Plc	6.00%	29.12.49	1.1
Lafarge Cement Sdn Bhd	5.06%	08.07.22	1.1
GII	4.12%	30.11.34	1.0

## 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 31 May 2021:

%	YTD	1M	3M	6M	1-Year	3-Years	Since Inception
<b>Fund*</b>	0.17	0.70	0.92	0.76	4.51	18.08	17.16
<b>Benchmark</b>	0.76	0.16	0.46	0.92	1.88	8.37	9.82

\* 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.**

#### FUND MANAGER'S COMMENTS

- Continuing claims in the US came in higher than expected, implying a higher wage inflation and short-term negative impact on growth. Meanwhile, inflation data saw April's core PCE index rising 3.1% y/y. US PMI came in stronger in April, largely driven by the Services PMI which rose to 70.1 during the month. Europe also saw strong PMI, also driven by the services sector.
- With treasury yields edging towards the end of the month, a number of Chinese issuers tapped the credit market. Overall, these new issuances were well subscribed.
- In Asian credits, Huarong International continued to be in focus as there were noises that the company was lacking government support regarding its financial restructuring proposal.
- China's central bank said it will maintain the exchange rate of the yuan at "basically stable" levels. The future trend of the exchange rate will be decided by supply and demand, as well as changes in international financial markets.
- Bank of Thailand kept its benchmark interest rate unchanged at 0.5%, warning that its economic recovery was threatened by its biggest virus wave since the pandemic began. The Philippine central bank similarly held its key interest rate at a record low after a disappointing economic performance last quarter and as price pressures cool.

#### STRATEGY:

- Major central banks are unlikely to raise rates anytime soon due to uneven and uncertain recovery post Covid-19 and abundant global liquidity.
- Inflation will likely be transitory from a low base effect. However, we believe major central banks would take a wait-and-see approach and see sustainability of economic data and the inflation trend amidst downside risks.
- We continue to like selective solid HY names, primarily Chinese properties and banks for better yields. We will also gradually add RMB and IDR bonds for yield pick-up.
- We continue to favor quality names with a tilt towards the IG segment. The breakdown of IG versus HY and unrated bonds are 61% and 14% respectively. Focus will be on credit selection with government bonds to provide liquidity for trading opportunities.
- Cash level is at about 7% now. Duration remained at around 5.2 years for better yield, though we remain cautious to not extend this to a longer duration positioning. Fixed income yield is at 3.5%.

## 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>

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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 : 31 May 2021

#### Disclaimer:

The benchmark performance is not a guide to future performances which may differ. 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.