

# Sun Life Malaysia Select Bond Fund

May 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<br>(31 May 2022)  | Fund Size    | RM7.63 million<br>(31 May 2022)   |
| Unit NAV             | RM1.0874<br>(31 May 2022)  | Dealing      | Daily<br>(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

|                         |               |
|-------------------------|---------------|
| Banks                   | 18.2%         |
| Real Estate             | 16.0%         |
| Industrials             | 11.0%         |
| Government              | 10.7%         |
| Financial Services      | 9.3%          |
| Energy                  | 5.3%          |
| Insurance               | 4.6%          |
| Consumer Discretionary  | 3.2%          |
| Basic Materials         | 2.7%          |
| Utilities               | 2.2%          |
| Telecommunications      | 1.8%          |
| Consumer Staples        | 0.7%          |
| Others                  | 1.5%          |
| Cash & Cash Equivalents | 12.8%         |
| <b>Total</b>            | <b>100.0%</b> |

## TOP HOLDINGS OF THE TARGET FUND

| Bonds Issuer                   | Coupon | Maturity Date | %   |
|--------------------------------|--------|---------------|-----|
| MGS                            | 4.64%  | 07.11.33      | 1.9 |
| Yinson Juniper Ltd             | 8.10%  | 29.03.49      | 1.9 |
| GII                            | 3.73%  | 31.03.26      | 1.8 |
| Yinson Juniper Ltd             | 7.85%  | 05.10.49      | 1.8 |
| Eco World Capital Services Bhd | 6.50%  | 12.08.22      | 1.4 |
| GII                            | 4.12%  | 30.11.34      | 1.3 |
| MGS                            | 3.76%  | 22.05.40      | 1.2 |
| Phoenix Group Holdings PLC     | 4.75%  | 04.09.31      | 1.2 |
| DNB Bank ASA                   | 4.88%  | 12.11.49      | 1.2 |
| Dialog Group Bhd               | 4.15%  | 16.11.49      | 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 31 May 2022:

| %                | YTD   | 1M    | 3M    | 6M    | 1-Year | 3-Years | Since Inception |
|------------------|-------|-------|-------|-------|--------|---------|-----------------|
| <b>Fund*</b>     | -5.70 | -0.46 | -2.25 | -6.07 | -7.19  | 2.90    | 8.74            |
| <b>Benchmark</b> | 0.77  | 0.17  | 0.48  | 0.93  | 1.86   | 6.82    | 11.86           |

\* 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

- Asian credits started the month volatile, though eventually settling down towards month in line with recent stability seen in UST yields. The Chinese HY property segment continued to remain soft overall, despite policy support announced by the government. EM bonds continued to see fund outflows during the month.
- The People's Bank of China (PBoC) cut its prime rate for 5-year loans, which influences mortgage prices by 15 bps in a reduction that was sharper than initially expected of 5 bps. This comes as authorities seek to cushion the impact of a slowdown and rekindle growth in the property sector that forms a large chunk of its economy.
- More cities in China announced city-specific housing policy relaxations. The Chinese regulators also announced a nation-wide mortgage rate cut of 20bps for first home buyers. And have enlisted three quality private developers to spearhead onshore bond issuances in an attempt to bolster sentiment for the sector.
- Australia's central bank indicated that it currently has no plans to sell bonds from its portfolio even as it acknowledged it has now embarked on "quantitative tightening." Earlier this month, the RBA raised its benchmark interest rate by 25 basis points to 0.35% and decided against reinvesting the proceeds of maturing securities in its portfolio.

#### 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. 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 13%, with the Fund intending to stay defensive. As such, duration positioning remains short at around 4.3 years. The current fixed income yield is at 6.3%. The breakdown of IG versus HY and unrated bonds remains at around 57% and 9% respectively.

## 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><br/>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 2022**

#### 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.