Sun Life Malaysia Conservative Fund

December 2024

Sun Life

FUND OBJECTIVE

To achieve medium to long term capital appreciation through investments primarily in Malaysian bonds.

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	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	33.59 million units (31 December 2024)	Fund Size	RM55.66 million (31 December 2024)
Unit NAV	RM1.6568 (31 December 2024)	Performance Benchmark	12 month FD
Fund Manager	Principal Asset Management Bhd	Frequency and Basis of Unit Valuation	The unit price determined daily based on the value of our holdings in the target fund, net of expenses, divided by the total number of units in that fund
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee & transaction charge
Target Market	Suitable for investors: ▪ Have a medium to long term investment horizon ▪ Want a diversified portfolio of fixed interest securities ▪ Are looking for a less volatile investment but can accept lower returns	Fund Management Charges	Management Fee: 1.0% p.a

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
Minimum 80% of Net Asset Value (NAV)	Balance of fund

SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
93.63%	2.64%	0.00%	3.73%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
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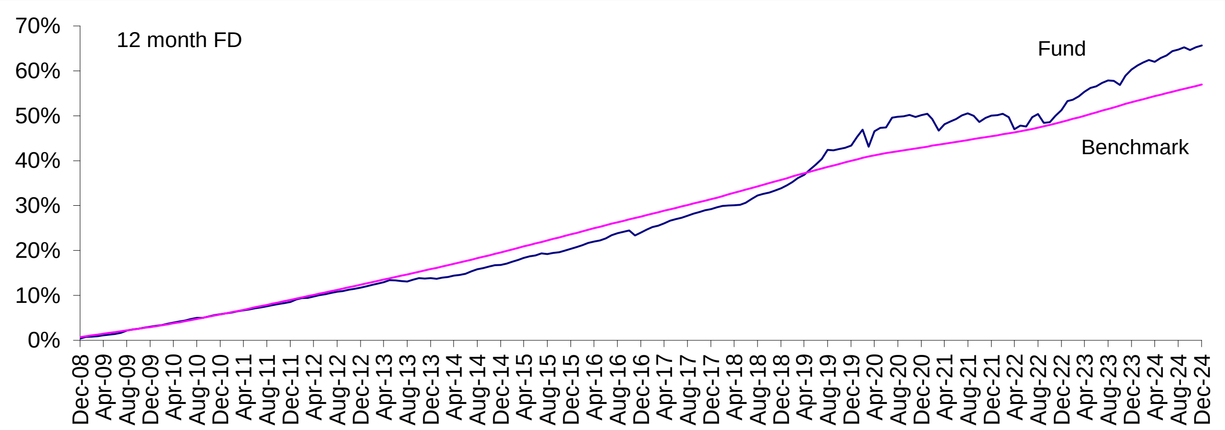
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	4.91	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	2.81
Ponsb Capital Bhd	4.96%	28/12/2028	4.79	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.954%	12/01/2037	1.99
Edra Energy Sdn Bhd	6.23%	05/01/2032	4.16	UniTapah Sdn Bhd	6.15%	12/12/2030	1.99
Prasarana Malaysia Bhd	4.54%	29/01/2044	3.86	Sarawak Energy Bhd	4.70%	24/11/2028	1.86
MMC Corporation Bhd	5.95%	12/11/2027	2.86	Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	1.79

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.34	0.27	3.34	10.41	15.56	41.90	65.68
Benchmark	2.56	0.20	2.56	7.90	12.11	31.25	56.99

** Calculation of past performance is based on NAV-to-NAV*

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FUND MANAGER'S COMMENTS

Market Review

During the month of December, the Malaysian Government Securities ("MGS") yield curve flattened with selective longer maturities remained largely stable or edged marginally lower. In contrast, the short end of the curve shifted higher with the 5-year benchmark yield shifted the most by 4bps, followed by the 15-year which shifted 3bps higher. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.53% (2bps), 3.65% (4bps), 3.78% (1bp), 3.84% (2bps), 3.98% (3bps), 4.08% (1bp) and 4.19% (-1bp), respectively in December.

In November, headline inflation declined to 1.8% (October 2024: 1.9%), while core inflation remained stable at 1.8% (October 2024: 1.8%). The lower headline inflation was largely due to a continued downtrend in mobile communication services inflation, which declined to -11.4% (October 2024: -5.2%) during the month. This was partly offset by higher inflation for food away from home (4.8%; October 2024: 4.1%) and streaming services (8.9%; October 2024: 5.3%).

Producer prices in Malaysia shrank 0.4% year-on-year in November 2024, following a 2.4% fall in the previous month. This marked the third straight month of producer deflation but the softest pace in the sequence, due to slower declines in prices of manufacturing (-1.8% vs -2.6% in October) and mining (-8.3% vs -17.3%).

The manufacturing industrial production index grew by 3.3% in October 2024 (September 2024: 3.2%). The export-oriented clusters expanded further, lifted by higher production of both E&E and primary-related products. Growth in the domestic-oriented clusters rose further, reflecting higher production of construction-related materials as well as food, beverage and tobacco products.

The S&P Global Malaysia Manufacturing PMI fell to 48.6 in December 2024 from 49.2 in November, marking the lowest reading since March and the seventh consecutive month of contraction in the manufacturing sector.

Malaysia's trade surplus widened to MYR 15.3 billion in November 2024 from a marginally revised MYR 12.1 billion in the same month of 2023, easily surpassing market estimates for a gain of MYR 9.1 billion. It was the largest trade surplus since September 2023, as exports grew more than imports for the first time since December 2021.

Exports rose by 4.1% yoy to MYR 126.6 billion, accelerating from a 1.6% rise in October and beating estimates of 1.3%, mainly driven by sales of manufacturing (5.2%) and agriculture (13.4%), while mining & quarrying tumbled (-17.3%). Meantime, imports grew by 1.6% to MYR 111.3 billion, the softest growth in a year and less than forecasts of 4.2%, primarily due to rises in intermediate goods (12.7%) and consumption goods (3.5%), as demand for capital goods plunged (-10.0%).

Fitch Ratings (Fitch) has reaffirmed Malaysia sovereign credit rating at BBB+, with "Stable" outlook. Key rating drivers which support the reaffirmation are namely broad-based and strong growth momentum; strengthened political stability; continuous current account surplus with strong foreign direct investments; and narrowing fiscal deficit.

FUND MANAGER'S COMMENT (CONTINUED)

Outlook & Strategy

Malaysia's economy grew by 5.3% in Q3 2024, with 2024 growth revised up to 4.8%-5.3%, supported by strong domestic demand and an improving external sector. Budget 2025 targets 4.5%-5.5% growth while focusing on fiscal consolidation, subsidy rationalization, and efficient resource management to reduce the fiscal deficit from 4.3% in 2024 to 3.8% in 2025.The Government will continue to enhance fiscal management through broadening of revenue measures, optimal use of resources and continue to pursue subsidy rationalization, particularly RON95.The implementation of the 15% Global Minimum Tax (GMT) starting January 2025 is expected to strengthen Malaysia's financial position, targeting multinational companies with global revenues exceeding €750 million. This move aims to attract investments while signaling Malaysia's commitment to global tax compliance. Among economic data releases for January include December's S&P Global Manufacturing PMI, November's unemployment rate, 4Q24 GDP and December's inflation rate. Additionally, the first MPC meeting for the year will be held on 22 January 2025.

In line with the government's effort to narrow its fiscal deficit, total government auction for 2025 is estimated to be RM163.5 billion, relatively lower than total issuance in 2024. Meanwhile, supply on corporate bond/sukuk issuance for 2024 increased marginally by 2% YOY, which is supportive of market dynamics. In January, there will be three auctions scheduled which includes the 7-year reopening of MGS 7/32, 15.5-year new issue of MGII 7/40 and 3-year reopening of MGII 7/28.

MGS term spreads have narrowed at the longer end of the curve, reflecting a flatter benchmark yield curve position in December as demand for duration remains supported. Credit spreads are expected to remain compressed as OPR is expected to stay unchanged for most of 2025, which would limit movements in benchmark MGS. The primary issuance of corporate bonds and sukuks is expected to remain concentrated on higher-rated securities, while lower-rated bonds with solid credit fundamentals and resilient financial performance are likely to attract strong demand.

Active portfolio management will be deployed in uncertain market condition in anticipation of market volatility by targeting various maturities along the yield curve that could add value. Maintain preference on credit with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds.

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RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

Market risk	Market risk is the risk of negative movement that affects the price of all assets in a particular capital market. The factors influencing the performance of the markets include: • Economic and financial market conditions • Political change • Broad investor sentiment • Movements in interest rate and inflation • Currency risks Securities values fluctuate in response to the activities and performance of individual companies and general market or economic conditions. Such movements in the underlying values of the securities of the investment portfolio will cause the NAV or prices of units to fall as well as rise. Market risk is mitigated through careful selection of securities and diversification through spreading of risk across a basket of assets and/or sectors.
Interest rate risk	Interest rates are inclined to fluctuate over time. A rise in the general level of interest rates will result in a decline of the value of all bonds and fixed interest securities. Hence a bond fund's NAV will most probably decrease with the rise of interest rates. Maintaining an appropriate diverse mix of assets with different yield and maturity profiles will lessen the impact of interest rate risk.
Liquidity risk	Liquidity risk is defined as the ease with which a security can be sold at or near its fair value depending on the volumes traded on the market. Liquidity risk is mitigated through the selection of stocks with an active trading volume in the open market. This ensures that exit strategies can be executed with little/minimal impacts to price fluctuations.
Company or security specific risk	There are many specific risks, which apply to individual companies or securities. Examples include the possible effect on a company of losing a key executive or the unforeseen entry of a new competitor into the market. The risk is mitigated by conducting in-house periodic reviews and analysis. In-house analysis is then supplemented by periodic reviews from rating agencies and market analysts.
Credit risk	Credit risk refers to an issuer's ability to make timely payments of profit and principal. In the event that the issuer of the instrument is faced with financial difficulties, leading to a decrease in their credit worthiness (i.e Bond prices will change/drop in the event of rating downgrade) and default in the payment of profit and principal, the value of the fund may be adversely affected. Credit risk is mitigated by conducting in-house periodic reviews and analysis. In-house analysis is then supplemented by periodic reviews from rating agencies and market analysts.

Source : Principal Asset Management Bhd
Date : 31 December 2024