

FUND OBJECTIVE

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

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	32.02 million units (31 December 2021)	Fund Size	RM48.05million (31 December 2021)
Unit NAV	RM1.5006 (31 December 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	12 month FD
Taxation	8% of annual investment income	Fees	Management Fee: 1.0% p.a.
Risk Profile	Suitable for investors: <ul style="list-style-type: none"> 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 	Other Charges	Inclusive of auditor fee & transaction charge

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
80% - 98%	Up to 20%

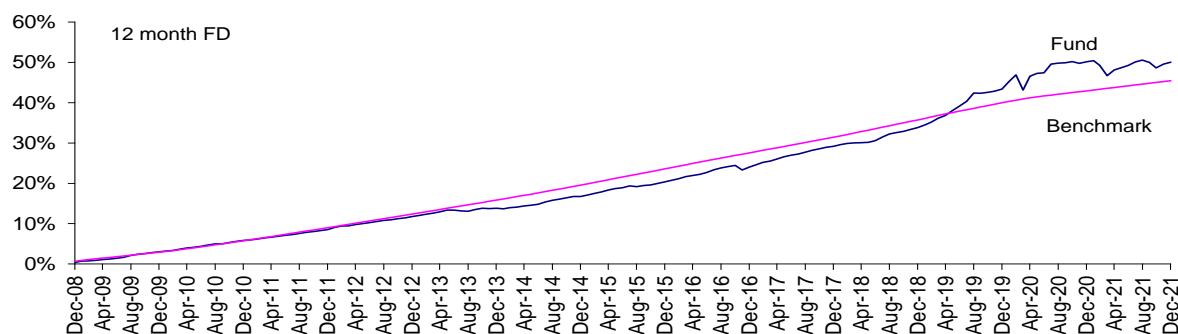
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
83.94%	8.34%	-	7.72%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.87	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.59
GENM Capital Bhd	4.98%	11/07/2023	5.41	GII Murabahah	4.417%	30/09/2041	2.50
MMC Corporation Bhd	5.95%	12/11/2027	3.42	UniTapah Sdn Bhd	6.15%	12/12/2030	2.36
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.37	Kapar Energy Ventures	4.95%	03/07/2026	2.22
YTL Power International Bhd	4.65%	24/08/2023	3.22	Sarawak Energy Bhd	4.70%	24/11/2028	2.19

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.04	0.33	-0.04	12.11	21.02	38.27	50.06
Benchmark	1.76	0.15	1.76	7.15	14.03	33.44	45.45

* 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

Market Review

The Malaysian Government Securities (MGS) yield curve bear flattened as yields on the short end of the curve went up by 2 to 16bps while yields on the longer end of the curve fell by 2 to 4bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 2.97% (+16bps), 3.18% (+6bps), 3.44% (+2bps), 3.63% (+6bps), 3.98% (+3bps), 4.10% (-4bps) and 4.19% (-2bps) respectively at the end of December. Meanwhile credit spreads tightened especially on the long end of the curve causing the corporate bond yield curve to bear flatten with credit spreads falling below its long-term average.

Data released in December showed that foreign holdings in Malaysian debt securities dropped by RM 3.6 billion in November (October: +RM 2.9 billion) driven mainly by MGS holdings which fell by RM 4.9 billion. However, small inflows could be seen on other instruments where the Government Investment Issuance (GII) saw an inflow of RM 1.2 billion while short-term instruments saw an inflow of RM 0.1 billion. As of November 2021, total foreign holdings in MGS stood at RM 187.1 billion, representing approximately 39.3% of outstanding MGS issuances.

Outlook & Strategy

With the fiscal deficit target of 6% for 2022 and the sizeable maturity of MGS/MGII in 2022 totaling RM 78.9 billion, we estimate the gross MGS/MGII funding for 2022 is to be around RM 165 billion (2021: RM 160 billion, 2020: RM 148.8 billion) given the proactive management of maturities via debt switches and some flexibility in government's funding strategy. Based on the auction calendar 2022, the 36 government bond auctions (18 MGS and 18 GII) with 14 private placements are skewed more towards the 15- to 30-year maturity bucket and likely to be fronted loaded with 19 auctions with estimated issuance size of RM 86.5billion target to be issued in 1H2022.

Meanwhile, valuation of the front end of the curve appears more favorable based on the historical averages following the continuous flattening of the sovereign yield curve. Yields on the front end of the bond curve continued to be pressured further as sentiment weakens amid the more hawkish tone from the Federal Reserve's December minutes.

As the economy begins to recover, we maintain our preference on the credit segment with focus on the primary issuances which offer better yield pickup. We are cognizant of potential curve re-pricing as credits spreads tightens below long-term averages. As the expectations of an interest rate hike intensifies, we prefer to maintain a neutral duration portfolio to mitigate adverse market movements ahead of Bank Negara's monetary policy action.

RISKS

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

Market risk	<p>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:</p> <ul style="list-style-type: none">• Economic and financial market conditions• Political change• Broad investor sentiment• Movements in interest rate and inflation• Currency risks <p>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.</p>
Interest rate risk	<p>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.</p>
Liquidity risk	<p>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.</p>
Company or security specific risk	<p>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.</p>
Credit risk	<p>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.</p>

Source : Principal Asset Management Bhd

Date : 31 December 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.