

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	31.80 million units (31 January 2020)	Fund Size	RM46.20 million (31 January 2020)
Unit NAV	RM1.4528 (31 January 2020)	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%

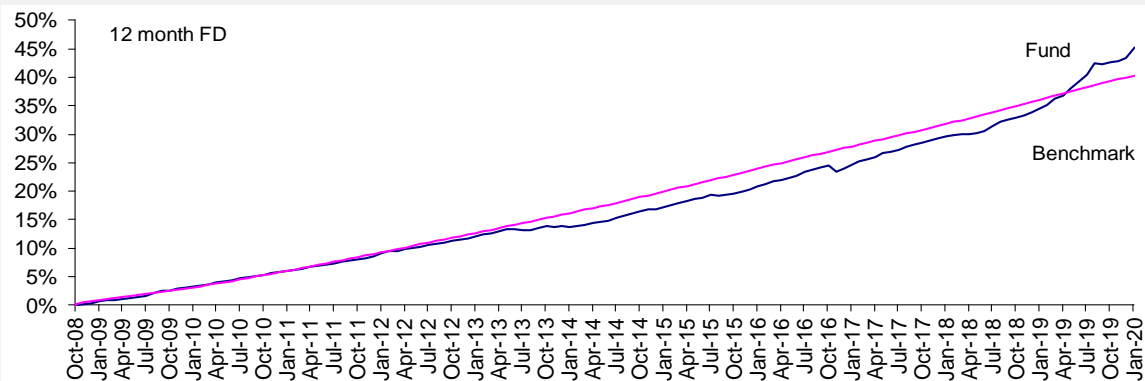
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
92.10%	3.47%	-	4.43%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
IJM Corp Bhd IMTN	5.05%	18/08/2028	11.91	WCT Holdings Bhd	5.32%	11/05/2022	5.61
MMC Corporation Bhd	5.95%	12/11/2027	11.90	Fortune Premiere Sdn Bhd IMTN	4.85%	7/09/2023	4.60
Fortune Premiere Sdn Bhd IMTN	4.65%	21/12/2022	11.22	GII Murabahah	4.07%	30/09/2026	3.47
Sarawak Energy Bhd	5.50%	04/07/2029	6.30	YTL Power International Bhd	4.49%	24/03/2023	3.38
GENM Capital Bhd MTN 1826D	4.98%	11/07/2023	5.67	Exsim Capital Resources Bhd IMTN	5.00%	28/01/2022	3.29

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
Fund*	1.33	1.33	8.01	16.56	24.08	40.73	45.28
Benchmark	0.23	0.23	3.08	9.72	17.01	36.04	40.31

* 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

During the month, the overall MGS yield curve closed sharply lower (-15bps to 34bps) across tenures, following BNM's surprise OPR cut on 22nd January 2020. Despite concerns over the coronavirus outbreak leading to some weakening of the MYR, MGS yields were largely unaffected and traded lower during the last week of January, especially on the longer end. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 2.88% (-19bps), 2.99% (-23bps), 3.09% (-22bps), 3.15% (-17bps), 3.28% (-33bps), 3.42% (-27bps) and 3.83% (-34bps) respectively at the end of January-2020.

Outlook & Strategy

The Federal Reserve kept rates unchanged during its recent FOMC meeting, as expected, while signaling that policy would stay on hold for the time being. The European Central Bank kept their main deposit rate at the historic low of -0.5%, in line with market expectation, while launching its first strategic review since 2003, in a bid to establish whether its inflation target is still appropriate. The People's Bank of China (PBOC) cut the bank's reserve requirement ratio (RRR) by 50 basis points, effective January 6, to 12.5%, as the country's economic growth slows to the weakest pace in nearly 30 years. Following the coronavirus outbreak, PBOC further announced that they will inject 1.2 trillion yuan (US\$174 billion) into markets via reverse repo operations in early-February and lowered the 7-day and 14-day reverse repo rates by 10bps to 2.4% and 2.55%, respectively. Against most expectations, Bank Negara Malaysia (BNM) also delivered a surprise rate cut during its latest Monetary Policy Committee (MPC) meeting. The Overnight Policy Rate (OPR) was reduced by 25bps to 2.75% with the official statement highlighting as a pre-emptive measure to secure the improving growth trajectory amid price stability, while citing downside risks to global growth and geopolitical tensions.

FUND MANAGER'S COMMENTS (CONTINUED)

After the surprised 25bps OPR cut by BNM, we think the hurdle for further cut is higher now unless domestic macroeconomic really deteriorate substantially from here. While we struggle to find fundamental reason to stay overweight duration, we recognize that calendar effect and fund flows will still favor fixed income asset, at least in 1Q2020. As such, we will use government bond as building block to achieve the desired portfolio duration and continue to use credit instrument to build portfolio core yield. Bottom-up approach on credit selection will still be the forefront of portfolio construction and the main risk to avoid this year is on credit migration, especially on low yield and tight spread environment.

*Source : Principal Asset Management Bhd
Date : 31 January 2020*

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.