Sun Life Malaysia
Balanced Stable Fund
September 2022

FUND OBJECTIVE

To provide a mixed exposure into equities and bonds, with higher allocation in bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	1.51 million units (30 September 2022)	Fund Size	RM2.41 million (30 September 2022)
Unit NAV	RM1.5946 (30 September 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	25% FBM100 + 75% 12 month FD
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee
Risk Profile	Suitable for investors: ▪ Want a diversified portfolio in equities but higher exposure in bonds ▪ Prefer less volatile performance and want slightly higher gains than bond return	Fees	The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges: ▪ Sun Life Malaysia Growth Fund: 1.5% p.a. ▪ Sun Life Malaysia Conservative Fund: 1.0% p.a. ▪ There are no other fund management charges on this fund

ASSET ALLOCATION

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund
75.00%	25.00%

WHERE THE FUND INVESTS

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
75.21%	24.70%	0.09%	100.00%

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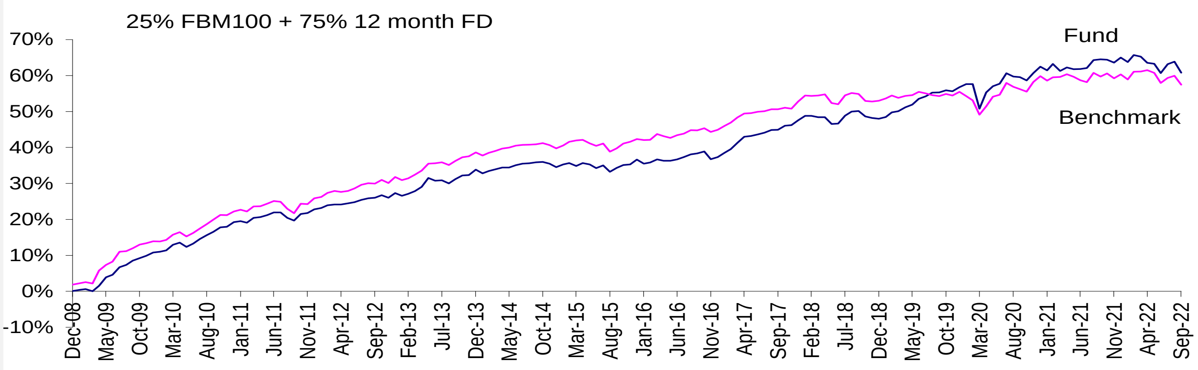
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-2.55	-1.87	-2.27	3.53	10.94	27.58	60.77
Benchmark	-1.80	-1.57	-1.42	2.03	4.54	21.14	57.45

** 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

In September 2022, the Fund's performance decreased by 1.87%, underperforming the benchmark by 0.30%.

FBMKLCI slumped 117.4pts or -7.8% to 1,394 pts in September. Markets reeled from renewed fears of a global recession stoked by the ever-so-hawkish Fed which remained adamant about sustaining hikes to cool the economy further. The strong US dollar, which is at the strongest it has ever been since 1997 also trigger flows out of emerging markets and commodities. Commodities (Energy -8%, Plantations -10% and metals) and Telcos (-7%) were among the key losers, with modest gains seen in Construction (+2%), Transport (+3%) and REITs (+3%).

Malaysia's manufacturing sector slipped into contraction in September with a PMI reading of 49.1pts vs 50.3pts in August, lower than March low of 49.6pts. Demand showed signs of waning and firms scaled back their production, for the second successive month, and purchasing activity (first time in four months) accordingly. Despite the softening, delivery times lengthened again due to raw material shortages and shipping delays. Cost inflation eased to the lowest for year but where input prices did rise, they were attributed to higher cost of raw materials and transportation and currency weakness - encouragingly manufacturers were able to pass them on. Positively, employment expanded the first time in 10 months and the rate of job creation was the sharpest since April 2019. According to S&P Global, the demand weakness in September may prove to be short-lived, supported by optimism in the year-ahead outlook, albeit the gauge dropped to a three-month low.

Overall performance of the Malaysian bond market was weak during the month of September as major global central banks continued to signal aggressive monetary policy tightening causing widespread correction in the global bond markets. The MGS yield curve shifted higher across the board during the month with the 3- and 10-year benchmark cheapened the most. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.87% (+44bps), 4.02% (+32bps), 4.28% (+37bps), 4.44% (+46bps), 4.67% (+40bps), 4.79% (+38bps) and 5.03% (+41bp) respectively at the end of September. Recent correction in the MGS yield curve has resulted in spreads to widen with the 5- and 10-year terms spread now wider than its 5-year averages while spreads against OPR has fully reflected interest rate normalisation expectations.

During its September meeting, the Monetary Policy ("MPC") of Bank Negara Malaysia ("BNM") decided to increase the Overnight Policy Rate ("OPR") by 25 basis points to 2.50%. The ceiling and floor rates of the corridor of the OPR are correspondingly increased to 2.75% and 2.25% respectively. In its statement, BNM continues to reiterate that any adjustments to the monetary policy settings going forward would be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability.

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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 Stock and/or 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 share 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 : 30 September 2022

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