

# Sun Life Malaysia Conservative Fund

January 2022



## 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	31.96 million units (31 January 2022)	Fund Size	RM47.98 million (31 January 2022)
Unit NAV	RM1.5013 (31 January 2022)	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"> <li>Have a medium to long term investment horizon</li> <li>Want a diversified portfolio of fixed interest securities</li> <li>Are looking for a less volatile investment but can accept lower returns</li> </ul>	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
79.11%	8.28%	-	12.61%	100.00%

## TOP HOLDINGS OF THE FUND

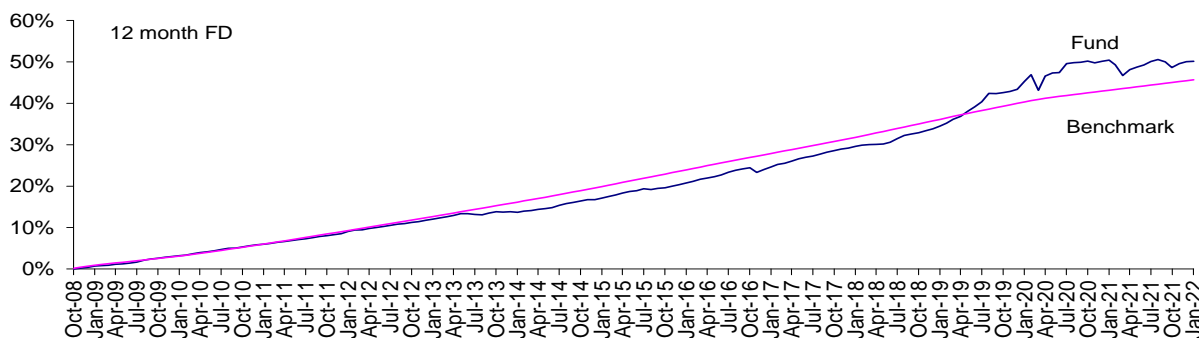
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.74	GII Murabahah	4.417%	30/09/2041	2.48
MMC Corporation Bhd	5.95%	12/11/2027	3.44	UniTapah Sdn Bhd	6.15%	12/12/2030	2.36
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.30	Sarawak Energy Bhd	4.70%	24/11/2028	2.20
YTL Power International Bhd	4.65%	24/08/2023	3.24	Kapar Energy Ventures	4.95%	03/07/2026	2.18
Edra Energy Sdn Bhd	6.71%	05/01/2038	2.52	SEGI Astana Sdn Bhd	5.70%	07/01/2028	2.09

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	0.05	0.05	-0.20	11.62	20.45	37.63	50.13
<b>Benchmark</b>	0.15	0.15	1.76	7.02	13.91	33.30	45.67

\* 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 MGS yield curve bear steepened during the month with yields on the longer govies were pressured higher as the Federal Reserve provided a clearer hint that it could start raising interest rates as soon as March. Sentiments were weakened further as the Fed Chair said that the central bank could move on an aggressive path by saying that there is room to raise interest rates without threatening the labor market. Trades were mostly choppy during the month as market took a more cautious stance over increased concerns that the Federal Reserve might tighten policy even more than expected. Yields across the board closed higher with yields rising between 1 to 16 bps across the board.

Outlook & Strategy

Bank Negara Malaysia (BNM) held the overnight policy rate (OPR) at 1.75% at its first monetary policy meeting of the year, its lowest since July 2020. In its statement, BNM said it considers current policy to be appropriate and accommodative. Additionally, BNM also said that the stance of monetary policy will continue to be determined by new data and their implications on the overall outlook. Malaysia's November industrial production index (IPI) grew by 9.4% YOY in November. The expansion of IPI was attributed to an increase of 11.3% in manufacturing index, 5.1% in the electricity index and 3.7% in the mining index. M-o-m, the IPI increased by 0.9% driven by the manufacturing index and mining index. December CPI stood at 3.2% YOY (0.4% m-o-m), slightly higher than consensus estimate of 3.1%, but lower than November's print of 3.3% YOY (0.24% m-o-m). The main drive of December inflation remained non-durable goods, while services inflation picked up. National inflation for the period January to December 2021 showed a significant increase of 2.5% as compared to a -1.2% for the same period in 2020. Core inflation registered an increase of 1.1% in December 2021 as compared to the same month of the previous year. The higher increase was recorded by the furnishings, household equipment and routine household maintenance group. Malaysia's manufacturing sector reported a slowdown in January as the Manufacturing Purchasing Managers' Index (PMI) fell from 52.8 in December to 50.5 in January. Malaysia's total trade in December 2021 surged by 26.8%, reaching RM216.7 billion as compared to RM171.0 billion in the previous year. Exports continued to increase with double-digit growth of 29.2% to RM123.8 billion as compared to December 2020. Meanwhile, imports rose by 23.6% YOY in December 2021 amounted at RM92.9 billion.

Weaker sentiment in the domestic bond market caused by external factors is expected to persist in the near term. As such, the portfolio prefers to be neutral duration and would maintain its overweight of credit bonds against sovereign bonds amid imminent market volatility. The portfolio will take opportunity to participate in primary corporate bond issuances as pricing is expected to reflect forthcoming interest rate normalisation and weaker market sentiment.

## RISKS

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

<b>Market risk</b>	<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"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <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>
<b>Interest rate risk</b>	<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>
<b>Liquidity risk</b>	<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>
<b>Company or security specific risk</b>	<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>
<b>Credit risk</b>	<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 January 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.