Sun Life Malaysia Balanced Stable Fund

February 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	1.55 million units (28 February 2022)	Fund Size	RM2.56 million (28 February 2022)
Unit NAV	RM1.6435 (28 February 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
75.06%	24.92%	0.02%	100.00%

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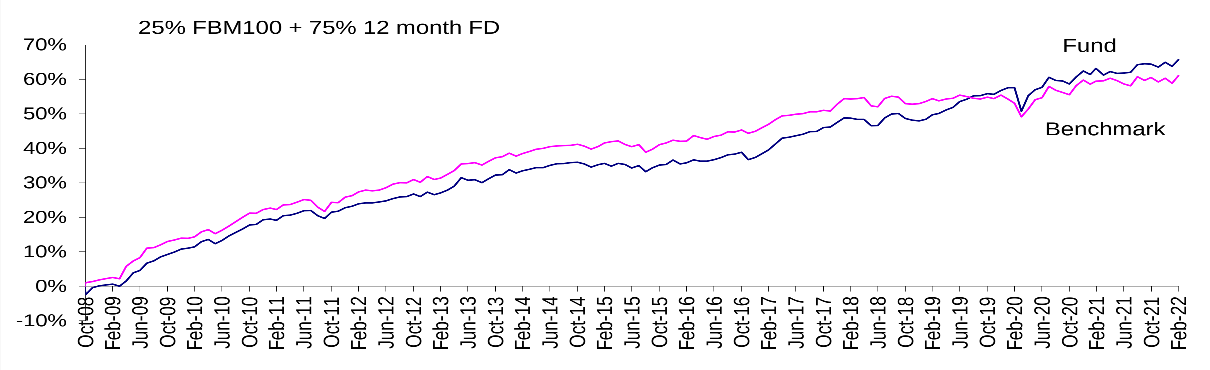
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	0.43	1.19	1.54	10.65	18.77	33.74	65.71
Benchmark	0.46	1.38	1.00	4.29	9.63	26.49	61.07

** 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 February 2022, the Fund's performance increased by 1.19%, underperforming the benchmark by 0.19%.

FBMKLCI rallied 88.3pts or 5.8% to a high of 1,608pts, a level not seen since April 2021. The index benefited from the rally in commodities (Plantations, Energy and Alum/Steel), further stoked by the Russian-Ukraine conflict exacerbating supply worries, while beneficiaries of higher interest rates such as Financials and reopening plays hogged the limelight. Technology, Healthcare, and select Telecommunications languished.

Malaysia's manufacturing PMI edged up slightly to 50.9pts in February from 50.5pts the previous month. The reading suggests the economy was still expanding and for the fifth month running. Businesses saw demand output and new orders scaled back for the second month running, albeit at reduced rates, while input costs and output price pressures alleviated further. Supply-chain disruptions continue to hold back a stronger recovery, with delivery times extending to the greatest extent for ten months. That said, "Malaysian manufacturers continue to express optimism regarding the year-ahead outlook, albeit sentiment being at a four-month low, underpinned by hopes of a domestic and international recovery in demand as the pandemic recedes".

BNM maintained the OPR at 1.75% and continues to view the current stance as appropriate and accommodative. BNM maintained their view that both the global and domestic economy would continue to recover and strengthen in 2022 but highlighted new risk from the ongoing Russia-Ukraine conflict that could tilt the outlook to the downside. Both headline and core inflation are expected to remain moderate as the base effect from fuel inflation dissipates. Upside risk to inflation will be capped by the continued slack in the economy and labour market.

Data released in March showed that in January, headline CPI moderated to 2.3% YoY (est. 2.5%; prior. +3.2%) despite higher F&B prices (+3.6% YoY, Dec: +3.2%), as transport cost eased (+6% YoY, Dec: +9.5%) from diminishing base effects and fuel price subsidy. Core CPI accelerated to +1.6% YoY (Dec: +1.1%) amid pent-up discretionary spending and services demand effect from economic reopening.

Following the gradual economic reopening in 4Q2021, Malaysia's GDP rebounded +3.6% YoY during the period (est +3.3%; 3Q: -4.5%) and +6.6% SA QoQ (est +6.3%; 3Q: -3.6%), bringing FY2021 GDP growth to +3.1% (2020: -5.6%). During the quarter, the growth was not broad-based amid rebounds in services (+3.2% YoY), manufacturing (+9.1% YoY) and agriculture (+2.8% YoY), but further contractions in mining (-0.9% YoY) and construction (-12.2% YoY). Domestic demand also rebounded, driven by both private (+3.7% YoY) and public (+4.3% YoY) consumption; however, gross fixed capital formation continued to decline due to continued contractions in both private (-3.0% YoY) and public (-3.8% YoY) investment. Overall, despite the growth in 2021, Malaysia's real GDP remains -2.7% below 2019 level. The official real growth forecast for 2022 is +5.5 – 6.5%. BNM also signaled that it will remain patient and mindful of any premature withdrawal of support that could hurt the recovery.

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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
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Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com