

Sun Life Malaysia Conservative Fund

June 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	32.01 million units (30 June 2022)	Fund Size	RM47.25 million (30 June 2022)
Unit NAV	RM1.4760 (30 June 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	<p>Suitable for investors:</p> <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
88.16%	7.85%	-	3.99%	100.00%

TOP HOLDINGS OF THE FUND

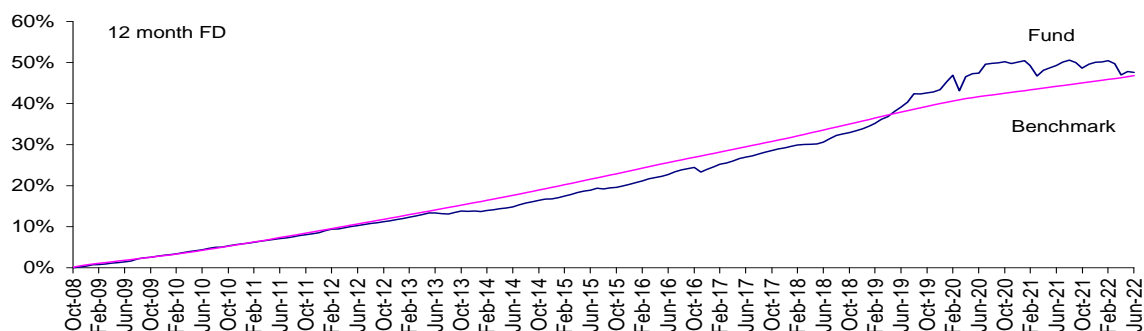
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.72	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.46
MMC Corporation Bhd	5.95%	12/11/2027	3.37	RHB Bank Bhd	3.65%	28/04/2031	2.37
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.30	GII Murabahah	4.417%	30/09/2041	2.34
Ponsb Capital Bhd	4.96%	28/12/2028	3.30	UniTapah Sdn Bhd	6.15%	12/12/2030	2.28
YTL Power International Bhd	4.65%	24/08/2023	3.25	Kapar Energy Ventures Bhd	4.95%	03/07/2026	2.19

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-1.64	-0.14	-1.11	6.10	16.24	33.87	47.60
Benchmark	0.92	0.17	1.81	6.44	13.37	32.64	46.79

* 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 benchmark yield curve bear-flattened in June as the short and intermediate segment of the curve shifted higher as inflation and the continued expectations of a more hawkish Fed monetary policy came back into the limelight during the month. The volatility in the bond market remain elevated as inflation and growth headlines were the main market catalyst during the month. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 3.61% (+7bps), 4.05% (+22bps), 4.24% (+17bps), 4.26% (+10bps), 4.65% (+8bps), 4.65% (+2bps) and 5.03% (+12bps) respectively at the end of June.

The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) increased the Overnight Policy Rate (OPR) by 25 basis points from 2.00% to 2.25% at its July meeting. This is the second time the MPC has increased the OPR this year. In its statement, it is mentioned that amid the growth prospects for the Malaysian economy, the MPC decided to further adjust the degree of monetary accommodation, consistent in its view that the unprecedented conditions that necessitated a historically low OPR have continued to recede. However, BNM highlighted that downside risks to growth continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions suggesting any adjustments to the OPR moving forward will be done in a measured and gradual manner. They continue to project headline inflation to be within 2.2%-3.2% forecast range but expect higher inflation in certain months due to base effect of electricity prices.

S&P revised Malaysia's rating outlook back to stable from negative while reaffirming the rating at A-. This comes after two years of negative outlook which has been in place since June 2020. The key rationales for the outlook change include strong economic recovery, expectation of medium-term growth prospects which are better than peers at the same income level and a continuation of strong external position and monetary policy flexibility.

Foreign investors turned net buyers in the month of May 2022 after two consecutive months of net selling with a smallish inflow of RM0.5 billion. Total foreign holdings climbed to RM257.5 billion (Apr: RM256.9 billion). Government bond liquidity improved in the month as MGS/GII trades increased picked up around 5% compared to May. Meanwhile, corporate bond trading volume also increased by around 5% in the month of June with trades centered around quasi-government, AAA and AA bonds.

FUND MANAGER'S COMMENTS (CONTINUED)

During the month, there were three government bond auctions amounting to RM12.5 billion with RM2 billion seen in private placements. All three auctions garnered strong bid-to-cover ratios at above the 2x handle. Primary issuances of corporate bonds picked up significantly during the month by 233% to RM12.33 billion (May'22: RM3.71 billion) as issuers rushed to issue in the 1H of the year and ahead of the upcoming MPC meeting. YTD June'22, corporate bond issuance stood at RM45.8 billion. (YTD June'21: RM44.8 billion), 2.3% higher YoY. Corporate bond primary issuance is expected to remain robust with more GGs and AAA names expected to issue in the near term. Corporate bonds maturities in 2022 is estimated to be around RM90 billion which is larger than RM70-75 billion for the previous year.

Outlook & Strategy

We continue to remain overweight in corporate bonds but aim to take profit in current holdings where possible to reinvest in the new primary issuances to obtain yield pick-up and better total returns. We aim to have a tactical position in government bonds to gain alpha for certain portfolios but highlight that it is mainly for trading purposes and remain watchful for market movements. We remain neutral in duration but aim to increase slightly within the band to take advantage of potential yields falling in anticipation of a stronger support seen by the market amidst the continued volatility in the near term.

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 : 30 June 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.