Sun Life Malaysia
Balanced Stable Fund
April 2022

Sun Life

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	1.54 million units (29 April 2022)	Fund Size	RM2.50 million (29 April 2022)
Unit NAV	RM1.6218 (29 April 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
74.44%	24.89%	0.67%	100.00%

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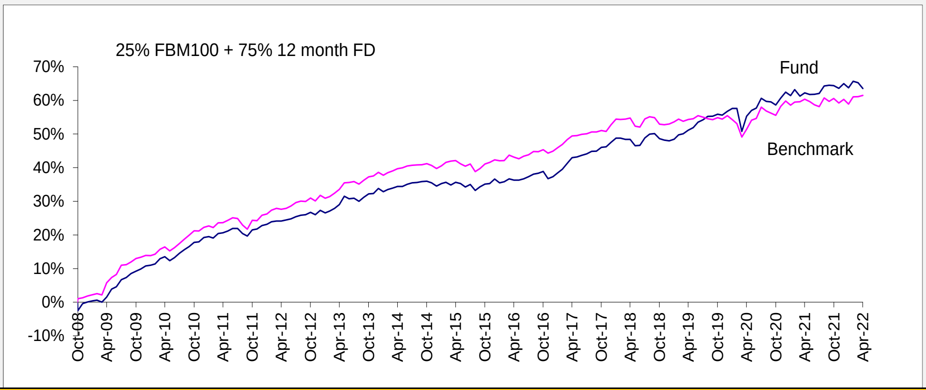
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.89	-1.04	0.78	8.18	14.36	31.71	63.52
Benchmark	0.72	0.23	0.70	4.64	8.07	26.50	61.48

** 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 April 2022, the Fund's performance decreased by 1.04%, underperforming the benchmark by 1.27%.

FBMKLCI gained 13pts or 0.8% to 1,600.43pts. Plantation (+11%) and Energy (8%) dominated the gainers leaderboard driven by continued strength in the underlying commodities, partly fueled by the prolonged Russian-Ukraine conflict which has now entered its third month. Tech slumped (-8%) on the back of the surge in bond yields driven by Fed rate hikes and balance sheet shrinkage plans, while Gloves languished on dull margin guidance. Tourism plays saw renewed interest during the month with the 1 April border re-opening but stocks came off their highs, similar to Financials.

Malaysia's manufacturing sector expanded in April with a rebound in the PMI from 49.6pts in March to 51.6pts. There was a surge in demand for manufactured goods with producers reporting the strongest inflow of new orders since 2014, reflecting a combination of improving sales at home and abroad. However, output contracted for the fourth month running due to persistent sourcing difficulties and fall in employment levels – these in turn had also exerted sustained upward pressure on prices.

Bank Negara Malaysia (BNM) last month trimmed GDP growth forecast to 5.3-6-3% for 2022, from 5.5-6.5% previously. Despite the re-opening of borders and businesses following the lifting of Covid-19 restrictions, the central bank expects some impact from the Russia-Ukraine conflict. Headline inflation is also projected to average higher between 2.2% and 3.2% (versus 2.1% previously). BNM has raised the OPR by 25bps to 2.0% during the recent MPC meeting in May vs. our expectation of at least 1x-2x hikes of 25bps each in 2022. The monetary tightening will be dependent on the inflation print, which is now running hot on the back of surging commodity prices and persistent supply-chain issues.

The Malaysian Government Securities ("MGS") yield curve adjusted significantly upwards in April with the 7-year MGS being the worst performer as it inverted against the 10-year MGS amid the new MGS 4/29 benchmark which was repriced much higher during the global bond rout. The 30-year govvies have also touched the 5% mark, as we saw some dip-buying support at current level, but overall sentiment remains cautious and weak. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.64% (+44bps), 4.01% (+52bps), 4.45% (+64bps), 4.32% (+48bps), 4.84% (+57bps), 4.90% (+45bps) and 4.98% (+43bps) respectively at the end of April. Meanwhile, April was a busy month for the sovereign debt auction with four auctions taking place with a total combined size of RM19.5 billion. Coupled with the weak sentiment from the global sell-off and the larger than expected Employees Provident Fund ("EPF") withdrawals from the Special Withdrawal Facility, sovereign yields repriced significantly upwards ahead of the auctions. Nevertheless, despite the larger than expected auction size, compelling yields attracted real money and demand came in strong as the average bid-to-cover in April came in at 2.12 times. Meanwhile, credit spreads generally tightened across all rating class and especially in the belly of the curve, as sovereign yields adjusted much higher. Foreign investors turned net sellers in March, as they dialed back their risk activities and emerging markets exposure – with an outflow of RM4.03 billion (Feb: +RM3.15 billion). Total foreign holdings declined to RM259.1 billion (Feb: RM263.2 billion), as the bulk of the outflows came from MGS with their holdings declining by RM3.19 billion. Both Government Investment Issue ("GII") and corporate bonds holdings also saw a decrease, with an outflow of RM0.95 billion and RM0.35 billion, respectively with most of the selling were concentrated in the shorter part of the curve as they looked to pare down their Ringgit exposure.

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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 : 29 April 2022