Sun Life Malaysia Conservative Fund
June 2023

Sun Life

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	31.84 million units (30 June 2023)	Fund Size	RM49.86 million (30 June 2023)
Unit NAV	RM1.5658 (30 June 2023)	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: ▪ 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
88.46%	9.43%	-	2.11%	100.00%

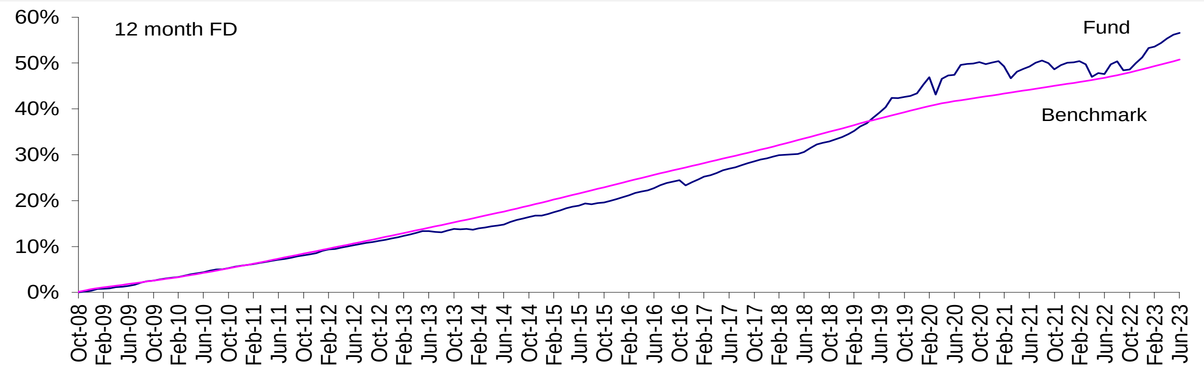
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.52	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.42
RHB Bank Bhd	3.65%	28/04/2031	4.29	GII Murabahah	4.417%	30/09/2041	2.42
Ponsb Capital Bhd	4.96%	28/12/2028	3.25	UniTapah Sdn Bhd	6.15%	12/12/2030	2.25
MMC Corporation Bhd	5.95%	12/11/2027	3.20	Kapar Energy Ventures	4.95%	03/07/2026	2.10
Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	3.16	Sarawak Energy Bhd	4.70%	24/11/2028	2.07

Sun Life Malaysia Conservative Fund

June 2023

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.53	0.25	6.08	6.21	19.88	38.14	56.58
Benchmark	1.43	0.25	2.70	6.40	12.87	32.13	50.75

** 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 flattened in the month of June, influenced by continued hawkishness by global central banks. Demand for duration came towards the end of the month as rebalancing activities caused the benchmark yield curve to flatten. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.49% (+10bps), 3.62% (+13bps), 3.76% (+13bps), 3.88% (+14bps), 4.03% (+3bps), 4.10% (+1bp) and 4.15% (-2bps) respectively.

During its MPC meeting in early July, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00%. In its statement, BNM stated that the monetary policy stance is slightly accommodative and remains supportive of the economy while continues to see limited risks of future financial imbalances.

Meanwhile, Standard & Poor's (S&P) has affirmed its "A-" and "A" long-term foreign and local currency sovereign ratings of Malaysia stable outlook. The rating agency is quoted as saying that "the stable outlook reflects our expectations that Malaysia's steady growth momentum and fiscal policy will allow modest improvements in fiscal performance over the next two to three years,". S&P expects GDP growth to moderate to 4.0% this year on weakened global growth environment while current account surplus which is of a rating strength will stabilize around 3.0% of GDP over the next three years.

Data released during the month showed that headline inflation in Malaysia fell to 2.8% in May (consensus: 3.0%; Apr: 3.3%), with easing inflation contributed by the fall in the food and beverages subindex at 5.9% for May (Apr: 6.3%), while core CPI also eased to 3.5% in May (Apr: 3.6%). Aside, the seasonally adjusted S&P Global Malaysia manufacturing purchasing managers' index (PMI) fell slightly to 47.7 in June from 47.8 in May to indicate a tenth consecutive moderation in operating conditions that was the strongest since January. Meanwhile, Malaysia's total trade declined by 2% or RM4.5 billion in May 2023, to post a value of RM223.8 billion as compared to RM228.3 billion in the same month of preceding year. The value of exports and imports also decreased 0.7% to RM119.6 billion and 3.3% to RM104.2 billion, respectively. Trade surplus recorded a positive growth of 21.4% with a value of RM15.4 billion in May 2023. Separately, the Industrial Production Index contracted by 3.3% YoY in April 2023 (March: +3.2%), weighed down by all sectors. The decrease in April 2023 was attributed to contraction in all sectors, namely Mining with -4.9% (March 2023: +0.8%); Manufacturing with -3.0% (March 2023: +4.1%); and Electricity with -2.0% (March 2023: +0.4%).

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

The recent correction in MGS could exert upward pressure on corporate bonds especially on the belly of the curve where credit spreads narrowed the most during the month of June. The MGS terms spreads remain below its short- and long-term averages with spreads on longer maturities expected to remain tight as demand on duration continues to persist.

Given the recent bear-flattening of the government bonds yield curve, we will actively seek out short-term trading opportunities to capitalize on. With the recent tightening of credit spreads especially on the short to belly of the curve, we will look to take profit within this segment and replace with new corporate bond issuances.

Long term target would be to gradually shift our investment to overweight corporate bonds, driven by the compelling potential for a more favorable total return. We will continue to actively participate in new corporate bond issuances in the market while maintaining a selective approach in our credit selection process.

Sun Life Malaysia Conservative Fund
June 2023

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 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.
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 June 2023

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