

FUND OBJECTIVE

To achieve higher returns than the benchmark over the medium to long term while preserving capital and providing opportunity for income.

FUND DETAILS

Launch Date	01 December 2009	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	14.80 million units (30 November 2020)	Fund Size	RM22.70 million (30 November 2020)
Unit NAV	RM1.5337 (30 November 2020)	Dealing	Daily (as per Bursa Malaysia trading day)
Investment Manager of the Target Fund	Opus Asset Management Sdn Bhd	Target Fund	Opus Shariah Income Fund
Benchmark	Maybank 12-Month Islamic Fixed Deposit Rate	Taxation	8% of annual investment income
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> ▪ Have a medium to long term investment time frame ▪ Are seeking stability in income through investment in Malaysian Shariah-compliant bonds (sukuk) ▪ Are looking for a less volatile investments but can accept lower returns which may fluctuate over the short term 	Fees	<ul style="list-style-type: none"> ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Islamic Bond Fund. ▪ Up to 1.0% p.a. fund management charge is applied on the Target Fund's NAV by Opus Asset Management Sdn Bhd

ASSET ALLOCATION OF THE TARGET FUND

Sukuk, Islamic Money Market Instruments & Islamic Placement of Deposits	Other Permitted Investment
Minimum 70% of NAV	Maximum 30% of NAV

SECTOR ALLOCATION OF THE TARGET FUND

Infrastructure	19.13%
Investment Holding	15.19%
Government	14.54%
Telecommunication	8.32%
Finance	7.33%
Toll Road	6.06%
Power	3.40%
Bank	2.03%
Health Care	1.87%
Property	0.91%
Cash	21.22%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Sukuk Issuer	Coupon	Maturity Date	Rating	%
GII	3.73%	31.03.26	NR-GOVT	8.5
DANGA CAP BHD	4.60%	23.02.26	AAA	8.2
GII	4.47%	15.09.39	NR-GOVT	6.1
MRL	3.88%	06.07.40	NR-GG	5.6
BGSM MGMT	7.10%	28.12.22	AA3	5.4
Credit Profile				%
NR-GG				21.20
AAA				20.45
AA3				16.87
NR-GOVT				14.54
AA1				2.03
AA2				1.87
BBB2				1.81
Cash				21.22

PERFORMANCE RECORD

This fund feeds into Opus Shariah Income Fund ("Target Fund") with the objective to achieve higher returns than the benchmark over the medium to long term while preserving capital and providing opportunity for income.

Table below shows the investment returns of Sun Life Malaysia Islamic Bond Fund versus its benchmark as at 30 November 2020:

%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.81	-0.69	4.31	18.53	25.27	45.62	53.37
Benchmark	2.06	0.15	2.32	9.10	16.26	35.39	39.09

* 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

Despite the rebound in economic activity during 3Q20, we continue to remain cautious as the number of Covid-19 cases rise could potentially derail recovery gains already made. As such, we continue to see the possibility of BNM cutting the OPR by another 25bps in the next 6 months. Meanwhile, despite some short-term volatility from supply concerns, the protracted low interest rate environment will continue to spur demand for safe-haven assets, such as government bonds in the long term. We continue to be cautious of credit conditions as we expect to see further credit deterioration potentially resulting in ratings and outlook downgrades, although we don't see any spikes in defaults. As such, we will continue to reduce our corporate sukuk holdings and will be very selective in our credit selection, keeping to high quality sukuks. Instead, we will continue to increase our allocation in government and government guarantee (GG) papers which not only have minimal or no credit risk but is also very liquid. Having high liquidity remains a priority as it provides the flexibility to restructure our portfolio when market condition changes. We are targeting an allocation of 40% – 50% in government and GG papers, complemented by holdings in AAA corporate sukuks and cash. We look to maintain our duration between 6 – 7 years as we expect the low interest rate environment to persist. However, as we go into the last month of the year, which tends to be a slower month with some profit taking activity, we may reduce our duration to below 6 years.

RISKS

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

Market risk	The usual risks of investing and participating in listed and unlisted securities apply to an investment in the units. Prices of securities may go up or down in response to changes in economic conditions, profit rates and the market's perception of securities. These may cause the price of units to go up or down as the price of units is based on the current market value of the investments of the Target Fund.
Fund management risk	<p>The performance of the Target Fund depends on, amongst other things, the experience and expertise of the fund manager. Poor management of the Target Fund will jeopardise the investment of the Target Fund and subsequently, may lead to losses to unit holders.</p> <p>The risk is reduced through the following:</p> <ul style="list-style-type: none"> • Implementation of a consistent structured investment process • Establishment and implementation of stringent internal policies and procedures
Non-compliance risk	<p>This involves the risk of fraudulent acts or the risk that rules set out in the governing deed or law that govern the Target Fund's operations or internal policies and procedures are not being complied with (e.g. human and system errors), which may result in loss to the Target Fund.</p> <p>The risk is reduced through the establishment and implementation of appropriate compliance guidelines and stringent internal control policies.</p>
Profit rate risk	<p>Investments in debt securities are subject to the risk of profit-rate fluctuations. Prices of debt securities will normally move in the opposite direction of interest rates. A rise or fall in interest rates will cause a fall or rise respectively in prices of debt securities. The Target Fund may experience a capital loss or gain respectively should the debt securities be sold before maturity.</p> <p>The interest rate is a general indicator that will have an impact on the management of funds regardless the Target Fund is a Shariah fund or otherwise. All the investments carried out for the Target Fund are Shariah-compliant.</p> <p>The fund manager adopts a "top-down" investment approach to ensure a thorough evaluation of macro-economic factors is undertaken in order to form an interest rate view. The fund manager will develop the portfolio maturity structure based on their interest rate view to capitalise on expected movements in interest rates. In addition, it is also intended to have maturity diversification to ensure limited impact on the portfolio value in case of adverse changes in interest rate direction.</p>

RISKS (CONTINUED)

Equity risk

The Target Fund is allowed to hold redeemable Sukuk that are convertible into equity. In the event the fund manager chooses to convert the redeemable Sukuk into equity, the Target Fund will be exposed to equity risk. Equity risk refers to the performance of the equity securities that is much more volatile and difficult to predict as compared to Sukuk. The effect of such volatility and unpredictable performance of the equity securities may have an adverse impact on the Fund's NAV per Unit.

However, this risk is limited as the fund manager will sell the said equity within 3 months from the date of conversion.

Concentration risk

The Target Fund is susceptible to the concentration risk. As the Target Fund has no limit restriction for money placements or deposits with any single financial institution, there is a possibility that the Target Fund may be exposed to a single financial institution. The Target Fund may also be exposed to a single or group issuer limits if the NAV is RM30 million and below.

The concentration risk is managed through the monitoring of credit analysis conducted on financial institutions and issuers.

Credit/Default risk

This risk can be referred to:

i) Issuer creditworthiness

This risk is intrinsic with the Target Fund's investments in Sukuk and refers to the issuer of the Sukuk creditworthiness and its expected ability to repay debt. Default happens when the issuer is not able to make timely payments of interest or profit on the coupon payment date or principal repayment on the maturity date. If default happens, this will cause a decline in the value of the defaulted Sukuk and subsequently affect the Target Fund's NAV per Unit.

The fund manager minimises the Target Fund's credit risk by adopting the following

- Conducting thorough credit analysis before any investment to ascertain the creditworthiness of different issuers; and
- Diversifying the portfolio by investing in different issuers, if possible.

ii) Financial institutions creditworthiness

This risk refers to a financial institution that is a party to the trade or placement contract of the Target Fund, may default in its payment.

The fund manager minimises the Target Fund's credit and default risk by conducting a thorough credit analysis on the financial institutions creditworthiness. With regards to the trading of the Target Fund's Sukuk, the risk is minimised by dealing only with any financial institution via Real Time Electronic Transfer of Funds and Securities ("RENTAS") system.

RISK (CONTINUED)

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 volume traded on the market. This risk is more pertinent to Sukuk and Islamic money market instrument of the Target Fund in view that such investments are generally not as easily liquidated as compared to equities. In the event some of the Sukuk and Islamic money market instrument of the Target Fund are not actively traded, there is a risk the fund manager may not be able to easily liquidate such investments and as a result, Investors may face difficulties in redeeming their units.

Inflation/Purchasing Power Risk

Inflation can be described as increases of price level of goods and services and is commonly represented using the consumer price index. High inflation reduces the purchasing power of a fixed sum of money. In an inflationary environment, fixed rate securities are exposed to higher inflation risk than inflation-linked securities.

The investor's investment in the Target Fund may not grow proportionately to the inflation rate. This will then decrease the investor's purchasing power even though the investment in monetary terms may have increased.

Source : Opus Asset Management Berhad
Date : 30 November 2020

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. In exceptional circumstances, we reserve the right to suspend the creation or cancellation of units. Notice for suspension will be published on our website. 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.