Sun Life Malaysia Conservative Fund

July 2024

FUND OBJECTIVE

To achieve medium to long term capital appreciation through investments primarily in Malaysian bonds.

INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/ for more information on the Investment Strategy and Approach for the target fund.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	35.40 million units (31 July 2024)	Fund Size	RM58.20 million (31 July 2024)
Unit NAV	RM1.6441 (31 July 2024)	Performance Benchmark	12 month FD
Fund Manager	Principal Asset Management Bhd	Frequency and Basis of Unit Valuation	The unit price determined daily based on the value of our holdings in the target fund, net of expenses, divided by the total number of units in that fund
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee & transaction charge
Target Market	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	Fund Management Charges	Management Fee: 1.0% p.a

ASSET ALLOCATION OF THE FUND

Fixed income securities	Cash
Minimum 80% of Net Asset Value (NAV)	Balance of fund

SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
87.78%	8.03%	0.00%	4.19%	100.00%

Sun Life Malaysia Conservative Fund

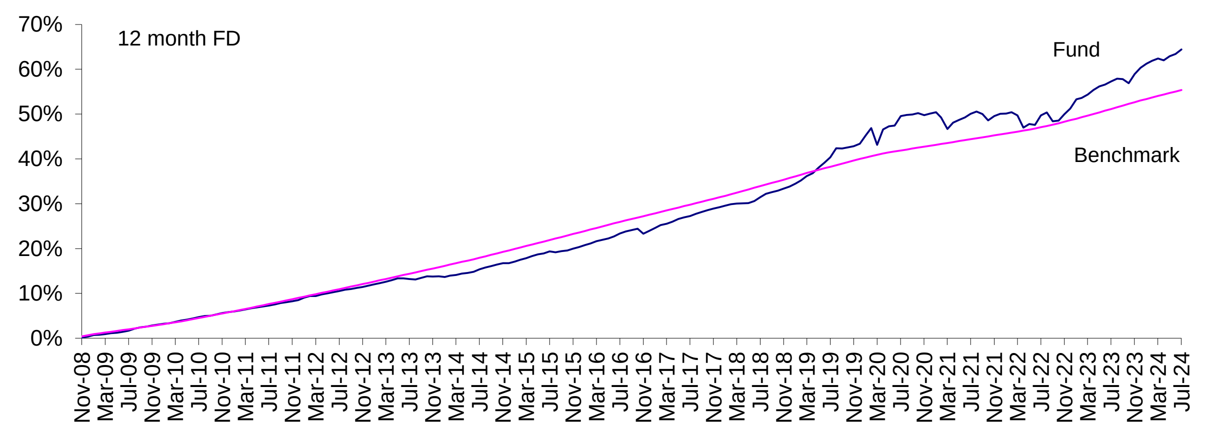
July 2024

Sun Life

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	4.64	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	2.65
Edra Energy Sdn Bhd	6.23%	05/01/2032	3.94	GII Murabahah	4.291%	14/08/2043	2.17
RHB Bank Bhd	3.65%	28/04/2031	3.72	UniTapah Sdn Bhd	6.15%	12/12/2030	1.94
Ponsb Capital Bhd	4.96%	28/12/2028	2.83	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.954%	12/01/2037	1.88
MMC Corporation Bhd	5.95%	12/11/2027	2.77	DanaInfra Nasional Bhd	4.49%	23/10/2043	1.83

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	2.54	0.61	4.51	9.55	17.13	42.52	64.41
Benchmark	1.52	0.21	2.80	7.59	12.38	31.72	55.37

** Calculation of past performance is based on NAV-to-NAV*

Source: Lipper

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

FUND MANAGER'S COMMENTS

Market Review

The Malaysian Government Securities ("MGS") yield curve bull steepened in the month of July which saw yield for the 3- to 15-year falling between 12bps to 15bps while the 20-year and 30-year tightened 8bps and 5bps respectively. The MGS curve moved in tandem with the movements of US Treasuries as it moved lower fueled by signs of inflation moderating, thereby prompting market expectations of US Federal Reserve (Fed) rate cuts. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS benchmarks closed at 3.38% (-15bps), 3.52% (-13bps), 3.68% (-12bps), 3.74% (-14bps), 3.88% (-13bps), 4.04% (-8bps) and 4.17% (-5bps), respectively in July.

Like the MGS curve, the Government Investment Issue ("MGII") yield curve also bull steepened with yields on the 3-year to 15-year falling between 9bps to 17bps. The 10-year MGII fell 17bps the most during month which could be due to strong demand driven by month-end portfolio rebalancing.

The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.41% (-11bps), 3.56% (-11bps), 3.69% (-9bps), 3.72% (-17bps), 3.91% (-10bps), 4.06% (-8bps), and 4.18% (-6bps) respectively in July.

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% for the seventh consecutive Monetary Policy Committee (MPC) meeting on 10-11 July 2024 amid "hold-for-longer" US Fed policy rates, as well as firmer economic growth, upside risk to domestic inflation and stable Ringgit.

Data also showed that the unemployment rate remained unchanged at 3.3% in May (April 2024: 3.3%) for the seventh consecutive month, amid sustained growth in employment (May 2024: +1.8%; April 2024: +1.9%) and labour force (May 2024: +1.7%, April 2024: +1.7%). According to the Department of Statistics, two-thirds of jobs growth were in the Services sector.

Meanwhile, advance estimates for Malaysia's 2Q 2024 GDP suggest the economy expanded by 5.8% (1Q 2024: 4.2% YoY). The actual number will be released on 16 August 2024. Based on the advanced estimates, growth during the quarter was supported by faster expansions in services, manufacturing, agriculture and construction amid slower mining.

Malaysia recorded a trade surplus of RM14.29 billion in June. Exports grew just 1.7% YoY in June. Shipments of electrical and electronic products, which account for more than one-third of gross exports, declined 1.6%. Petroleum products also fell 7.3%.

FUND MANAGER'S COMMENT (CONTINUED)

Nonetheless, exports of machinery, equipment and parts increased 25% and liquefied natural gas rose 24%. Imports in June, on the other hand, grew 17.8% with inbound deliveries of intermediate goods such as automotive parts and electric component soared 37%. Capital goods imports increased 24% and consumption goods rose 14%.

The S&P Global Malaysia Manufacturing PMI declined further into contractionary to 49.7 in July 2024 (June 2024: 49.9), after briefly expanding last May, as new orders eased for the first time in three months amid weak demand.

Outlook & Strategy

The inflation impact of broadening of services tax base and its rate from 6% to 6%-8% range effective 1 March 2024 was mild, as can be seen in services inflation number (Jun 2024: 2.2% YoY; May 2024: +2.3%, Apr 2024: +2.1% YoY; Mar 2024: +2.1%).

There was also muted impact from diesel price adjustment in Peninsular Malaysia so far, which was set higher at MYR3.35/l from MYR2.15/l from 10 Jun 2024 as the government embarked on targeted diesel subsidy rationalization leading to several exceptions i.e. MYR2.15/l for eligible logistics vehicles; MYR1.88/l for land public transport; MYR1.65/l for fishermen; while Sabah, Sarawak and Labuan still enjoy subsidized diesel price of MYR2.15/l. To date, the government estimates that over RM250 million leakage has been prevented. The expected diesel subsidy savings is around RM4 billion annually with the impact to GDP and CPI minimal at around 0.2% GDP and +10bps respectively. As for petrol RON95 subsidy rationalization, PM Anwar announced that the Government is waiting for the diesel subsidy rationalization to stabilize before any implementation.

Meanwhile, on 25 July, Finance Minister II stated that a total of 3.4 million of the 13.1 million EPF members under the age of 55 have made withdrawals from the Flexible Account amounting to RM8.9 billion as of 19 July 2024 which might have impact on overall consumer spending behavior. We would also possibly see impact on spending after PM Anwar announced that the rates of civil servant salary increase (which will be implemented from December this year) will be announced before the tabling of Budget 2025 in October. He mentioned that the salary increments of more than 13% for the civil servants will be the highest to date and will cost the government more than RM10 billion annually.

The MOF highlighted that Budget 2025 will require measures to broaden tax base. The ministry explained that Malaysia's tax revenue currently stands at a low of 12.6% of GDP in 2023. The government has yet to introduce the high-value foods tax which was announced in Budget 2024. The global minimum tax (GMT) was also announced last year. The MOF on July 18 said that it will implement the GMT on income exceeding €750 million (RM3.82 billion) starting in 2025, with a 15% tax rate.

We still expect market dynamics for the fixed income to be generally positive as slightly lower gross MGS/MGII supply for 2024 should provide support for the local bond market. Additionally, the market is past the heavy net supply in the first half of the year and will turn favorable for the remaining part of the year. In August, there will be four auctions with no auction on new issuances scheduled. These auctions will comprise the reopening auction of the 7-year MGII 10/31, the 30-year MGS 3/53 reopening, the 5-year MGII 07/29 reopening and the 10-year MGS 07/34 reopening.

Meanwhile, corporate bond yields continued to fall on a monthly basis especially in the AAA corporate bond yield curve, followed by AA corporate bond yield curve. Single A corporate bond yield curve remained largely unchanged. Despite the shift lower in most corporate bond yield curves, credit spreads widened across tenors and rating bands between 2-10bps as the yield movements on corporate bonds tend to lag compared to benchmark MGS.

The recent rally in government bonds provided good opportunities to take profit and move into corporate bonds. We will maintain higher preference in corporate bonds relative to government securities as we expect domestic interest rate outlook to remain unchanged in the near term.

The current market environment continues to be favorable for an overweight duration position due to positive supply-demand dynamics and stable interest rate outlook. Return of foreign funds driven by an anticipated reduction in Fed's fund rate and narrowing interest differentials will continue to support the bond market.

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

Sun Life Malaysia Conservative Fund
July 2024

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 : 31 July 2024