

Sun Life Malaysia Islamic Bond Fund

July 2021



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	15.51 million units (30 July 2021)	Fund Size	RM23.63 million (30 July 2021)
Unit NAV	RM1.5234 (30 July 2021)	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	Suitable for investors: <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

Finance	20.64%
Government	19.17%
Investment Holding	18.31%
Infrastructure	11.11%
Toll Road	7.80%
Telecommunication	7.36%
Bank	5.35%
Transport/ Port	4.50%
Property	0.86%
Cash	4.91%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

Sukuk Issuer	Coupon	Maturity Date	Rating	%
GII	3.47%	15.10.30	NR-GOVT	13.2
DANGA CAP BHD	4.60%	23.02.26	AAA	12.1
Maybank B3 AT1	4.08%	25.09.24	AA3	5.3
Sabah Credit Corp	4.45%	22.12.21	AA1	5.2
Danainfra Nasional Bhd	3.93%	27.11.34	NR-GG	5.2
Credit Profile				%
AAA				27.52
AA3				24.73
NR-GOVT				19.17
NR-GG				17.33
AA1				5.20
C1				1.14
Cash				4.91

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 July 2021:

%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-1.21	0.63	-1.48	14.58	21.55	40.98	52.34
Benchmark	1.07	0.16	1.85	8.09	15.10	34.42	40.80

* 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

Our performance recovered strongly in the 2nd quarter, although it is still negative year-to-date. We continue to see opportunities in local government bonds where yields have risen past pre-pandemic levels. We expect our performance in the 2nd half of 2021 to be supported by a higher running yield. We also see further correction in the bond market as lower economic recovery may flatten the yield curve further. With the heightened volatility, we are diligently observing and executing on our trading positions. Our duration positioning remains between 4 and 6 years while for corporate papers we remain focused on shorter tenures and high credit quality.

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

The performance of the target fund depends on, amongst other things, the experience and expertise of Opus AM. Poor management of the target fund will jeopardise the investment of the target fund and subsequently, may lead to losses to unit holders.
The risk is reduced through the following:

- Implementation of a consistent structured investment process; and
- Establishment and implementation of stringent internal policies and procedures.

Non-compliance risk

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.

The risk is reduced through the establishment and implementation of appropriate compliance guidelines and stringent internal control policies.

Interest rate risk

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.

Opus AM 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. Opus AM 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.

Note: The interest rate is a general indicator that will have an impact on the management of funds regardless if the target fund is a Shariah fund or otherwise. All the investments carried out for the target fund are Shariah-compliant.

RISKS (CONTINUED)

Equity risk

The target fund is allowed to hold redeemable Sukuk that are convertible into equity. In the event Opus AM 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 target fund's NAV per unit.

However, this risk is limited as Opus AM 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:

1. Issuer's creditworthiness

This risk is intrinsic with the target fund's investments in Sukuk and refers to the issuer of the Sukuk's creditworthiness and its expected ability to repay debt. Default happens when the issuer is not able to make timely payments of 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.

Opus AM 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.

2. 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.

Opus AM 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 Sukuks and Islamic money market instruments of the target fund are not actively traded, there is a risk Opus AM 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 July 2021

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.