Sun Life Malaysia Balanced Stable Fund
December 2018

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	1.71 million units (31 December 2018)	Fund Size	RM2.52 million (31 December 2018)
Unit NAV	RM1.4676 (31 December 2018)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	CIMB-Principal Asset Management Bhd	Benchmark	25% FBM100 + 75% 12 month FD
Taxation	8% of annual investment income	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
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		

ASSET ALLOCATION

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund
74.84%	25.15%

WHERE THE FUND INVESTS

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
74.84%	25.15%	0.01%	100.00%

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Sun Life Malaysia

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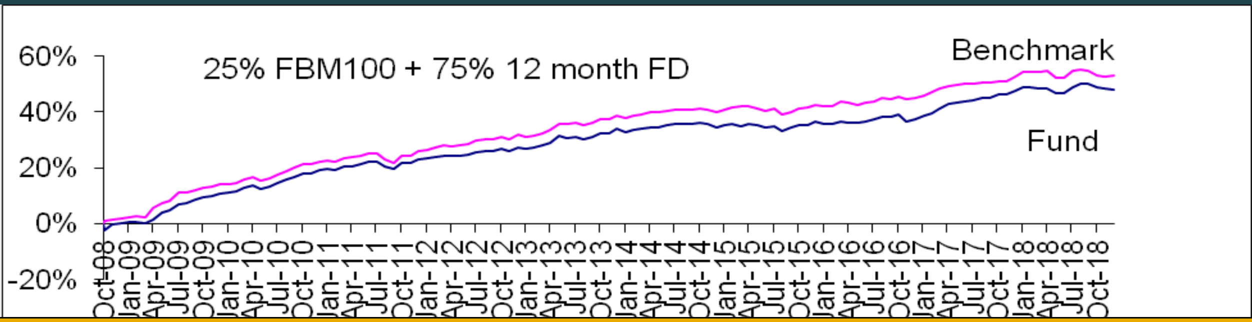
PERFORMANCE RECORD



%	YTD	1M	3M	6M	1-Year	3-Year	Since Inception
Fund*	0.30	-0.15	-1.44	0.93	0.30	8.33	47.97
Benchmark	0.12	0.12	-1.22	0.61	0.12	7.46	52.97

** 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 December 2018, the Fund's performance dropped by 0.15%, underperforming the benchmark by 0.27%.

The FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI) ended December marginally higher by 0.64% to close at 1,690.58 pts. For 2018, the FBMKLCI is lower by 5.91%. During the month, the Ringgit strengthened to MYR4.133/USD from MYR4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% M-o-M. We expect Malaysia's GDP growth to moderate in 2019 on softening external demand and government's austerity measure. The Street expects the budget deficit to narrow from 3.7% in 2018 to 3.4% in 2019 as the government draws on Petronas' financial resources with a RM30bn special dividend. However, recent oil price weakness has dampened the government's finances as Budget 2019 was prepared based on average Brent crude oil price assumption of USD70/bbl vs less than USD60/bbl now. Should the current oil price weakness persist, the federal government will need to re-calibrate its budget to avoid further widening its budget deficit. If this materialises, GDP growth will face downside risk as the government's further cost rationalisation will be a dampener on the economy.

December saw foreign institutional investors net selling RM1.0bil versus RM0.7bil in the previous month. Total outflow for 2018 amounted to RM11.6bil vs. net inflow of RM10.8b in 2017.

FUND MANAGER'S COMMENTS (CONTINUED)

During the month, Malaysia Government Securities ("MGS") yield curve bull flattened with yields dropping the most in the 20-year segment. The 3-, 5-, 10-, 15-, 20- and 30-year MGS yields traded lower at 3.62% (-7bps), 3.84% (-8bps), 4.10% (-6bps), 4.47% (-9 bps), 4.66% (-12bps) and 4.87% (-5bps) respectively at end of December. Year-to-date yield curve bear flattened following the Overnight Policy Rate ("OPR") hike in January 2018 and also foreign selling which were the major holders of short-dated bonds.

On the local economy front, Malaysia's exports rose a strong 17.7% YoY in October-18 (Sep-18: +6.5%) and above consensus estimate of 5.8%. Meanwhile, imports rebounded to grow 11.4% YoY after it declined 2.8% prior month. Consequently, trade surplus widened to RM16.3bn. However, supply chain spillovers cause by trade war and lower commodity prices will pose downside risks to export growth. Malaysia's November-18 CPI rose 0.2% YoY missed expectation of 0.4% increase and lower than 0.6% recorded in October-18. The lower increase in November-18 inflation was mainly driven by gains in food and beverages (+1.1%) and housing costs (+2.0%) but offset by contraction in transport and communication which fell 2.3% and 1.3% respectively. Malaysia's growth has been decelerating since 4Q17, reflecting supply side disruptions and weaker public spending exacerbated by policy shifts since the change in government. BNM forecast growth of 4.9% in 2019 was projected taking into consideration the initial US-China tariffs announced. However, BNM has also estimated that a full scale trade war could result in real GDP growth falling below 4.0%. A slower growth will risk Government missing the fiscal deficit target of 3.4% of GDP for 2019, if it decided on expansionary mode to support growth.

Source : CIMB-Principal Asset Management Bhd
Date : 31 December 2018

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