

### 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	15.92 million units (29 Jul 2022)	Fund Size	RM23.74 million (29 Jul 2022)
Unit NAV	RM1.4912 (29 Jul 2022)	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"> <li>▪ Have a medium to long term investment time frame</li> <li>▪ Are seeking stability in income through investment in Malaysian Shariah-compliant bonds (sukuk)</li> <li>▪ Are looking for a less volatile investments but can accept lower returns which may fluctuate over the short term</li> </ul>	Fees	<ul style="list-style-type: none"> <li>▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Islamic Bond Fund.</li> <li>▪ Up to 1.0% p.a. fund management charge is applied on the Target Fund's NAV by Opus Asset Management Sdn Bhd</li> </ul>

### 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	28.71%
Toll Road	19.68%
Investment Holding	11.71%
Bank	6.42%
Industrial	6.36%
Health Care	6.32%
Water	6.26%
Power	5.10%
Infrastructure	1.09%
Plantation	1.05%
Transport / Port	1.04%
Telecommunication	0.25%
Cash	6.00%
<b>Total</b>	<b>100.00%</b>

#### TOP HOLDINGS OF THE TARGET FUND

Sukuk Issuer	Coupon	Maturity Date	Rating	%
DANGA CAP BHD	4.88%	29.01.30	AAA	6.5
Maybank B3 AT1	4.08%	25.09.24	AA3	6.4
Sabah Credit Corp	4.85%	22.12.26	AA1	5.4
Press Metal	4.10%	17.10.24	AA3	5.3
Zamarad TR2	4.60%	24.07.26	AAA	5.2
Credit Profile				%
AAA				41.40
AA3				36.62
AA1				8.45
NR-GG				6.20
AA2				1.33
Cash				11.36

#### 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 29 July 2022:

%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	-0.28	1.15	-2.11	3.33	16.92	33.42	49.12
<b>Benchmark</b>	1.14	0.19	1.92	6.65	13.72	33.09	43.50

\* 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

As central banks embark on a synchronized interest rate hikes to tackle inflation, this also increases the risk of economic slowdown and recession. As such, we are likely to see the narrative of high inflation turning to growth concerns in the 2nd half of 2022. The sukuk market is expected to show more flattening, where long end shift downwards to reflect slower growth expectation. The short end will remain anchored at current levels which has already priced in multiple rate hikes. However, we still expect bouts of volatility with risk of policy mistakes as central banks are faced with the mounting task of balancing elevated inflation and threat of recession.

We remain with our strategy of increasing the running yield of the portfolio while yields remain attractive, while keeping duration at 4 – 5 years, which balances the risk of volatility. We aim to increase the running yield by investing in good quality corporate sukuk without taking too long duration. We may also allocate around 10% - 20% in government sukuk if we see trading opportunities.

## RISKS

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

<b>Market risk</b>	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.
<b>Fund management risk</b>	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: <ul style="list-style-type: none"><li>• Implementation of a consistent structured investment process; and</li><li>• Establishment and implementation of stringent internal policies and procedures.</li></ul>
<b>Non-compliance risk</b>	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.
<b>Interest rate risk</b>	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 :** *29 July 2022*

**Disclaimer:**

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