Sun Life Malaysia Conservative Fund
September 2021

FUND OBJECTIVE

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

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	31.91 million units (30 September 2021)	Fund Size	RM47.86 million (30 September 2021)
Unit NAV	RM1.4999 (30 September 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	12 month FD
Taxation	8% of annual investment income	Fees	Management Fee: 1.0% p.a.
Risk Profile	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	Other Charges	Inclusive of auditor fee & transaction charge

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
80% - 98%	Up to 20%

SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
82.47%	7.54%	-	9.99%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.92	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.57
GENM Capital Bhd	4.98%	11/07/2023	5.35	UniTapah Sdn Bhd	6.15%	12/12/2030	2.45
MMC Corporation Bhd	5.95%	12/11/2027	3.54	Sarawak Energy Bhd	4.70%	24/11/2028	2.26
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.38	Kapar Energy Ventures	4.95%	03/07/2026	2.24
YTL Power International Bhd	4.65%	24/08/2023	3.20	SEGI Astana Sdn Bhd	5.70%	07/01/2028	2.22

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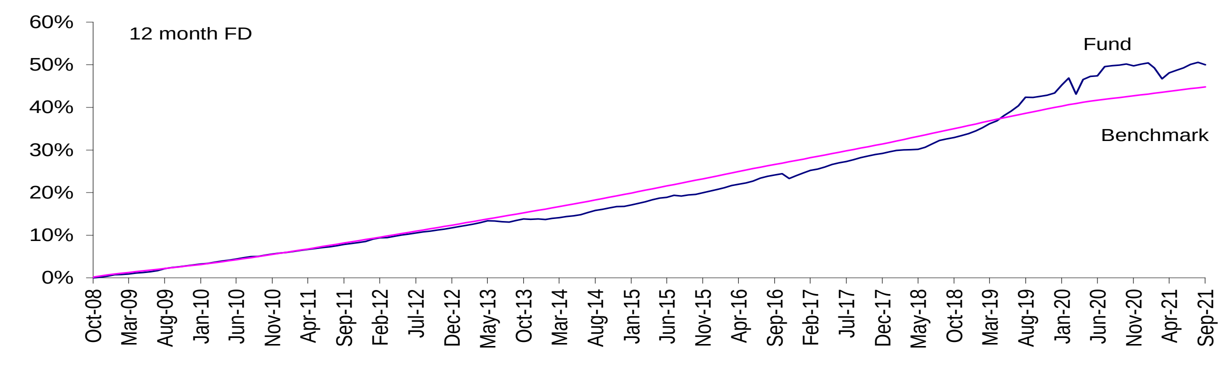
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.09	-0.38	0.05	13.13	20.81	39.09	49.99
Benchmark	1.32	0.15	1.76	7.56	14.39	33.88	44.82

** 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

Market Review

During the month, the MGS yield curve bearish flattened on the front-end by 13 to 25bps while the long-end by 4 to 17bps. The MGS yield movement can be explained by the higher UST yields due to expectation of Fed tapering, as well as the high development expenditure announced in 12th Malaysia Plan to fund the infrastructure projects. As at end September 2021, the 3-, 5-, 7-, 10-, 15-, 20-, and 30-year MGS traded at 2.52% (August: 2.40%), 2.89% (2.65%), 3.34% (3.09%), 3.40% (3.22%), 3.93% (3.77%), 4.10% (4.01%) and 4.27% (4.23%) respectively.

Outlook & Strategy

BNM's MPC kept the OPR unchanged as expected, with its assessment of the growth trajectory, current policy stance and outlook for policy broadly like July 2021. The MPC's expectations for relatively subdued 2022 core CPI signals a bias for policy to stay on an accommodative, extended pause for now as the current pace of vaccination likely closer to BNM's "faster recovery" scenario. With the MPC reiterating data-dependence, we tentatively see the first hike commencing in 2H22 as the recovery broadens and labor market slack diminishes. Industrial Production Index posted a bigger than expected decline in July (-5.2% YoY) as weaker data confirms a weak start to 3Q21. This marked its first contraction in 8 months as the reimposition of MCO continued to take a toll on economic activities amid closure. However with gradual reopening of more economic sectors and phased migration according to the National Recovery Plan, we expect IP readings to improve in 4Q21. Headline CPI moderated slightly to +2.0% YoY in August-2021, slightly below market estimate of 2.2%. Most price categories saw stable to low inflation, reflected in the softer core CPI. These readings reinforced market's view of subdued inflation, as price pressure caused by supply tightness was cushioned by benign demand amid still cautious consumer sentiments. In the 12th Malaysia Plan announced by PM Ismail Sabri, RM400bil (or 4% GDP) of development expenditure will be allocated to drive GDP growth of 4.5 – 5.5% from now until 2025. However, this will also cause the fiscal deficit to stay until 2025, with an expected range of 3.0 – 3.5% of GDP (2020: -6.8% fiscal deficit/ GDP). Aside from the fiscal budget, funding for major on going projects may lean on bonds issued by government-owned-companies, unless other financing models are tapped.

For MYR fixed income strategy, we expect 4Q21 to see some weaknesses coming from higher UST yields as well as the announcement of Malaysia fiscal deficit target for 2022. Both are events that may move the MGS yields higher. Credit spreads repricing is also another potential risk as new the corporate bond issuances (at higher yields, due to the recent upward movement in MGS) will also reprice the existing secondary bonds. As such, we advocate a more defensive stance in both interest rate and credit risk taking to mitigate downside risk of the portfolio valuation.

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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 : 30 September 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.

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