

# Sun Life Malaysia Conservative Fund

August 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	32.58 million units (30 August 2024)	Fund Size	RM53.68 million (30 August 2024)
Unit NAV	RM1.6478 (30 August 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: <ul style="list-style-type: none"><li>Have a medium to long term investment horizon</li><li>Want a diversified portfolio of fixed interest securities</li><li>Are looking for a less volatile investment but can accept lower returns</li></ul>	Fund Management Charges	Management Fee: 1.0% p.a

## ASSET ALLOCATION OF THE FUND

Bonds/Debentures	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
89.26%	8.66%	0.00%	2.08%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

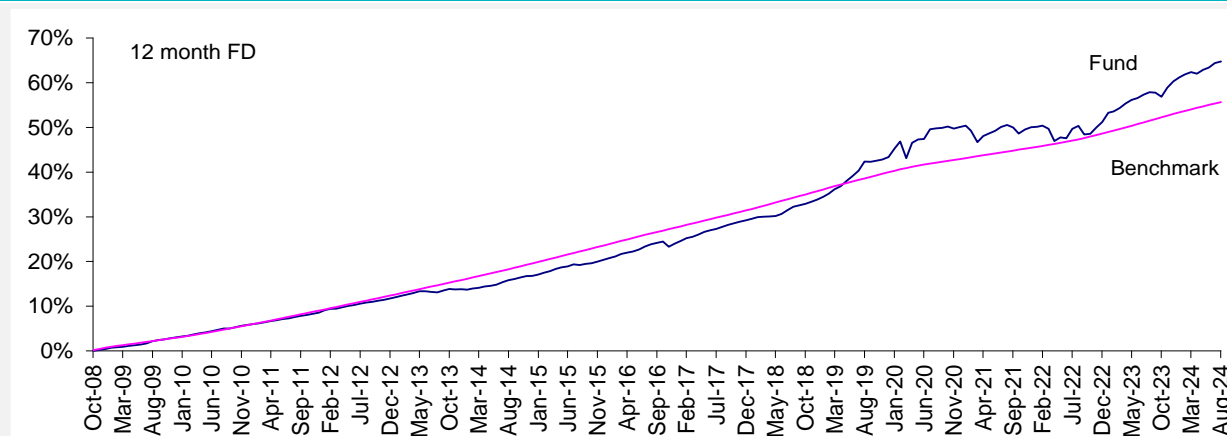
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## TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.05	GII Murabahah	4.291%	14/08/2043	2.30
Edra Energy Sdn Bhd	6.23%	05/01/2032	4.28	UniTapah Sdn Bhd	6.15%	12/12/2030	2.11
Ponsb Capital Bhd	4.96%	28/12/2028	3.08	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.954%	12/01/2037	2.05
MMC Corporation Bhd	5.95%	12/11/2027	3.02	DanaInfra Nasional Bhd	4.49%	23/10/2043	1.99
Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	2.88	Sarawak Energy Bhd	4.70%	24/11/2028	1.96

## PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	2.78	0.23	4.37	9.44	15.72	42.30	64.78
<b>Benchmark</b>	1.74	0.21	2.76	7.67	12.34	31.64	55.69

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

Source: Lipper

## FUND MANAGER'S COMMENTS

### Market Review

The Malaysian Government Securities (“MGS”) yield curve twisted in August as short-term yields declined marginally while the longer dated benchmark yields shifted higher during the month. The mid to long end of the curve rising by 2 to 4bps in view the heavy long duration supply until September and busy issuance calendar in October. In addition, there was some profit taking activities during the month following Malaysia printed a higher-than-expected 2Q2024 GDP and the civil service wages review announcement during the month.

The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.37% (-1bps), 3.52% (unchanged), 3.72% (+4bps), 3.77% (+3bps), 3.91% (+3bps), 4.06% (+3bps) and 4.21% (+4bps) respectively in August. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.37% (-1bps), 3.52% (unchanged), 3.72% (+4bps), 3.77% (+3bps), 3.91% (+3bps), 4.06% (+3bps) and 4.21% (+4bps) respectively in August.

Inflation held steady at 2% in July 2024 for the third consecutive month. Prices continued to rise led by services related industries. This includes cost of healthcare, communication, recreation/culture, insurance & financial as well as restaurants & hotels. Meanwhile, core inflation was also unchanged at 1.9% YoY.

Meanwhile, foreign investors holdings in Malaysian debt securities recorded an increase of RM7.8 billion in July, the highest in a year. Overall, YTD reported net inflows of RM8.7 billion and total foreign holdings rose to RM279.1 billion in July (June: RM271.3 billion). During the month of July, MGS saw an inflow of RM5.1 billion followed by MGII of RM1.4 billion and discount instruments of RM0.5 billion. As of July 2024, total foreign holdings in MGS stood at RM209.4bn, representing approximately 34.2% of outstanding MGS. (June: 33.3%).

In August, there were four government bond auctions amounting to RM19.5 billion with RM2 billion seen in private placements. Overall, the auctions garnered healthy interest. The 5-year MGII saw the strongest demand out of the four auctions in August with bid-to-cover (“BTC”) of 3.68x on an issuance size of RM4 billion. The reopening of the 7-year MGII also gathered a commendable interest of 2.33x. Meanwhile, the reopening of the 30-year MGS recorded BTC of 1.95x while the new 10-year MGS auctions drew BTC 1.99x on a larger-than-expected RM5.5 billion issuance size.

**FUND MANAGER'S COMMENT (CONTINUED)**

**Outlook & Strategy**

The better-than-expected 2Q2024 GDP growth at 5.9% YoY which brings the 1H2024 growth to +5.1% YoY (1H2023: +4.1% YoY) was broad based driven. With upbeat 1H2024 performance, some economists have revised upwards their 2024 GDP growth forecast above 5%. Meanwhile, the official guidance on real GDP growth remains unchanged at 4-5% at this juncture.

During the month, Ringgit has appreciated around 6% against USD as it closed at 4.3135 as of 30th August 2024. Strong fundamentals, stable policy rates and narrowing rate differentials as the Federal Reserve signaling possibility of a September rate cut allure foreign interest into Ringgit assets.

At the 19th Public Service Prime Minister's Council Meeting in August, Prime Minister Anwar announced a 15% pay raise for civil servants under the management and professional category and a 7% salary raise for civil servants in the upper management category. The pay raise will be given in two phases, December 2024 and January 2026. Putrajaya has allocated over RM10 billion for the civil service salary adjustment.

The Ministry of Finance ("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 global minimum tax ("GMT") was announced last year, and the MOF has on 18th July said that it will implement the GMT on income exceeding €750 million (RM3.82 billion) starting in 2025, with a 15% tax rate.

The next Bank Negara Monetary Policy Committee meeting is scheduled for 5th October, with the general expectation that the central bank will maintain its current stance, and the impact of the decision is expected to be limited. Upcoming domestic macro issues to watch out are the August trade date on 19th September, August CPI on 23rd September and 2025 Budget on 18th October.

In September, there will be three auctions with an estimated net issuance of around RM2.5 billion. The upcoming issuances in September are more weighted on the longer end of the curve, starting with the reopening of the 20-year MGII 8/43, 7-year MGS 4/31 and 30-year MGII3/54. It is noted that October is a busy issuance calendars with four tenders.

After the recent rally of government bonds in July and early August, the government bonds yields appear stretched at the current levels with no visible major domestic catalysts. There was some caution as market players were seen taking profits following the robust economic growth, stable labor market and announcement of civil servant salary hike.

During the month, credit spreads mostly tightened (except for the 3 -5year for AAA rated segment) with biggest movements seen in the intermediaries and the 30-year tenor for the AAA and AA rated segments. Meanwhile, credit spreads remained significantly below their long-term averages. Demand for corporate bonds remained healthy as investors continued to seek yields.

Looking ahead, we expect the local govvnies to trade in range and continue to be influenced by movements and events occurring in the UST space. In the absence of domestic catalysts, we aim to take profit and lighten some positions in the sovereign segment and look for opportunities to re-enter the market.

We continue to prefer corporate bonds and will stay with our bottom-up approach to look for value and participate in new issuances.

The current market environment continues to be favorable for an overweight duration position given stable domestic policy rate, firmer economic growth and stable Ringgit. Return of foreign funds driven by an anticipated reduction in Fed's fund rate and narrowing interest differentials will continue keep the bond market anchored.

## RISKS

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

<b>Market risk</b>	<p>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:</p> <ul style="list-style-type: none"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <p>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.</p>
<b>Interest rate risk</b>	<p>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.</p>
<b>Liquidity risk</b>	<p>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.</p>
<b>Company or security specific risk</b>	<p>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.</p>
<b>Credit risk</b>	<p>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.</p>

Source : *Principal Asset Management Bhd*

Date : *30 August 2024*

### Disclaimer:

This is strictly the performance of the investment fund, and not the returns earned on the actual premiums paid of the investment-linked product. Past performance of the fund is not an indication of its future performance. 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.