

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	31.59 million units (30 July 2020)	Fund Size	RM47.25 million (30 July 2020)
Unit NAV	RM1.4958 (30 July 2020)	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: <ul style="list-style-type: none"> 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%

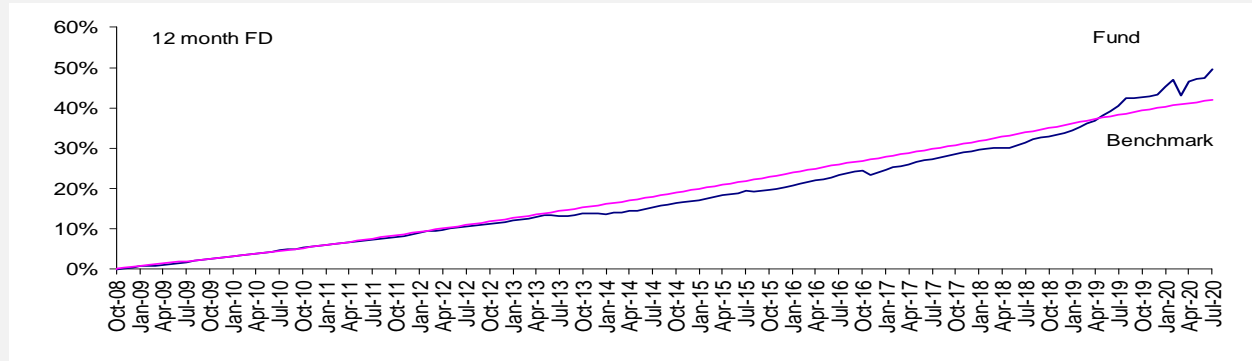
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
85.83%	7.68%	-	6.49%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Fortune Premiere Sdn Bhd	4.65%	21/12/2022	8.85	Fortune Premiere Sdn Bhd	4.85%	07/09/2023	4.54
IJM Corp Bhd	5.05%	18/08/2028	7.14	MMC Corporation Bhd	5.95%	12/11/2027	3.58
Sarawak Energy Bhd	5.50%	04/07/2029	6.35	GII Murabahah	4.07%	30/09/2026	3.55
GENM Capital Bhd	4.98%	11/07/2023	5.59	YTL Power International Bhd	4.65%	24/08/2023	3.40
WCT Holdings Berhad	5.32%	11/05/2022	5.52	Exsim Capital Resources Bhd	5.00%	28/01/2022	3.23

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
Fund*	4.33	1.47	6.56	17.52	25.31	42.84	49.58
Benchmark	1.36	0.15	2.64	9.31	16.40	35.79	41.89

* 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

With BNM's decision to reduce OPR by 25bps in July-20 and the accommodative monetary statement, MGS yield curve bullish flattened with the 30y MGS tightened by 42bps compared to other tenors at 31 – 39bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 1.96% (-31bps), 2.11%(-34bps), 2.26% (-42bps), 2.62% (-32bps), 3.00% (-36bps), 3.22% (-39bps) and 3.60% (-42bps) respectively at the end of July 2020.

Outlook & Strategy

BNM lowered the Overnight Policy Rate by 25 bps to 1.75% for the fourth time this year at its MPC meeting held in July-20. They mentioned that the reduction in OPR provides additional policy stimulus to accelerate the pace of the economy. It was also mentioned they will continue to utilize policy levers as appropriate for a sustainable economic recovery. Malaysia's CPI fell 1.9% YoY in the month of June-20 (May-20: -2.9% YoY, consensus: -1.8% YoY), led by the drop in the transport component on lower fuel prices. CPI could turn less negative from hereon, as oil price trajectory pointing further recovery in RON95 prices through year-end. However, demand-pull pressures should remain muted, given headwinds of 2H20 consumer recovery from continuing social distancing, soft labor market and high household debt. Malaysia's unemployment rate in May-20 increased to 5.3% (April-20:5.0%) as the number of unemployed person rose by 47,300 to 826,100 individuals. The statistics department now projects the full year unemployment rate at 3.5 – 5.5%, which shows that the jobless rate may get worse before getting better.

For MYR fixed income strategy, we expect BNM to act again in 2H2020 to secure a better economic recovery. Some parts of the MGS has already priced in a 25bps cut in September-20. Given that we are near the bottom of the rate cycle, and low interest rate is likely to stay for another 12 to 18 months pending a meaningful recovery, we are gradually shifting to higher grade corporates for better yield pick-up.

RISKS

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

<p>Market risk</p>	<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"> • Economic and financial market conditions • Political change • Broad investor sentiment • Movements in interest rate and inflation • Currency risks <p>Stock 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 share 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>
<p>Interest rate risk</p>	<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>
<p>Liquidity risk</p>	<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>
<p>Company or security specific risk</p>	<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>
<p>Credit risk</p>	<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 July 2020

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.