

Sun Life Malaysia Balanced Moderate Fund

October 2023



FUND OBJECTIVE

To provide a balanced exposure into equities and bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	10.41 million units (31 October 2023)	Fund Size	RM20.09 million (31 October 2023)
Unit NAV	RM1.9308 (31 October 2023)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	50% FBM100 + 50% 12 month FD
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> Want a balanced portfolio between equities and bonds Are risk neutral between bonds and equities 	Fees	<p>The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges:</p> <ul style="list-style-type: none"> 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

ASSET ALLOCATION

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund
50.00%	50.00%

WHERE THE FUND INVESTS

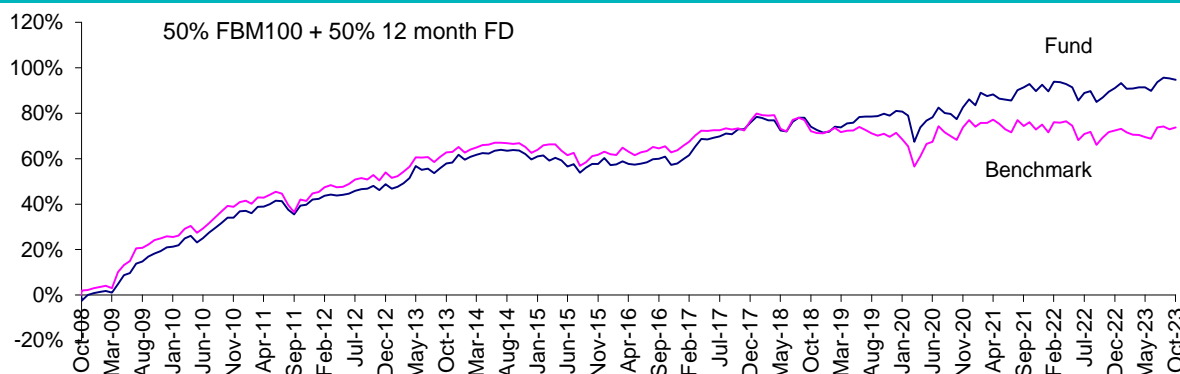
Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
49.88%	50.13%	-0.01%	100.00%

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.89	-0.33	4.15	9.74	11.81	23.27	94.68
Benchmark	0.76	0.47	2.64	3.28	0.97	6.77	73.76

* 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 October 2023, the Fund's performance decreased by 0.33%, underperforming the benchmark by 0.80%.

KLCI gained 18pts or 1.3% in October, which improved the YTD decline to 3.6%. There were bargain hunting in Financials and Commodities following the steep sell-off in the previous month, while Telcos (mainly mobile operators) were laggards. Within the broader market, Construction performed while Tech, Energy and Property languished. Overall sentiment remains clouded by the surge in US treasury yields which topped 5% last month and persistent dollar strength affecting EM markets, coupled with tensions in the Middle East.

Malaysia's PMI reading for October was unchanged at 46.8pts. According to S&P Global, Malaysian manufacturers continued to endure ongoing slowdown in new orders and production. Employment also eased but firms were still able to deplete backlogs. The Ringgit weakness and higher raw material prices added to input cost pressures, but the rate of inflation remains relatively muted, so are selling prices. Optimism that the demand environment will improve over the course of the next 12 months picked up to a 6-month high.

Bank Negara maintained OPR at 3.00% in the last MPC meeting despite mounting pressures to intervene given the Ringgit weakness. Inflation was 1.9% in September, significantly undershooting BNM's revised target of 2.5-3.0% for 2023.

Malaysia's equity market valuation remains extremely compressed with forward PE of 13.3x which is still ~1.5SD below the historical mean. This is based on consensus earnings growth of 5% for 2023 and 11% for 2024. More clarity on the new Government's policy posture, in our view, should reduce the current extreme risk premiums applied to the market (yield gap of ~340bps). We are also hopeful that the newly launched National Energy Transition Roadmap (NETR) by the government would revitalize domestic investment and buoy consumption.

The Malaysian Government Securities (MGS) yield curve continued to steepen during the month of October as the US Treasuries recorded a sixth straight monthly loss amid the prospect of indefinitely elevated Federal Reserve interest rates and possible growth in the supply of bonds sent yields to multiyear highs. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.70% (+9bps), 3.91% (+14bps), 4.09% (+17bps), 4.10% (+12bps), 4.27% (+9bps), 4.41% (+11bps) and 4.52% (+9bps), respectively in October.

Data released during the month showed that the advanced GDP estimate indicated that Malaysia's 3Q GDP expanded by 3.3% YoY against the 2.9% YoY in 2Q, according to the Department of Statistics Malaysia, which introduced its first-ever quarterly preliminary GDP data. Economic expansion was predominantly driven by the services sector with a 5.1% increase, up from 4.7% in 2Q23. The economic performance for the first nine months of 2023 shows that Malaysia's economy grew by 3.9% YoY (9M22: 9.2%).

RISKS

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

Market risk	<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 and/or 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 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>
Interest rate risk	<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>
Liquidity risk	<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>
Company or security specific risk	<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>
Credit risk	<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 : 31 October 2023

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.