Sun Life Malaysia Conservative Fund

September 2023

Sun Life

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	32.08 million units (29 September 2023)	Fund Size	RM50.61 million (29 September 2023)
Unit NAV	RM1.5779 (29 September 2023)	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
92.89%	4.67%	-	2.44%	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	5.37	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	3.06
Edra Energy Sdn Bhd	6.23%	05/01/2032	4.50	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.39
RHB Bank Bhd	3.65%	28/04/2031	4.27	UniTapah Sdn Bhd	6.15%	12/12/2030	2.24
Ponsb Capital Bhd	4.96%	28/12/2028	3.25	Sarawak Energy Bhd	4.70%	24/11/2028	2.07
MMC Corporation Bhd	5.95%	12/11/2027	3.20	Kapar Energy Ventures	4.95%	03/07/2026	2.04

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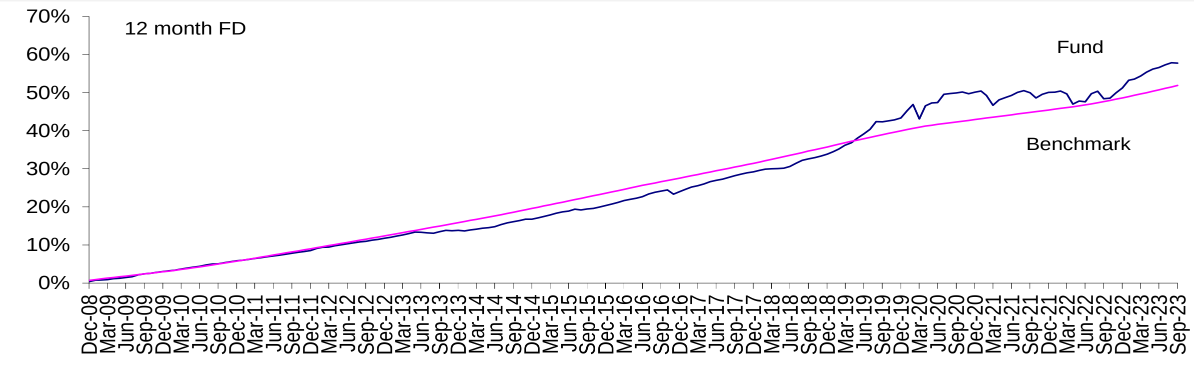
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	4.33	-0.06	6.32	5.26	19.01	39.05	57.79
Benchmark	2.19	0.25	2.87	6.73	12.80	32.11	51.89

** 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

The Malaysian Government Securities (MGS) yield curve steepened in September, with the longer-end tenors adjusting higher tracking the movements in US Treasuries. Longer dated government bonds were the worst performing segment during the month while shorter dated corporate bonds outperformed. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.61% (+13bps), 3.77% (+14bps), 3.92% (+15bps), 3.98% (+13bps), 4.18% (+13bps), 4.31% (+14bps) and 4.43% (+15bps) respectively. Meanwhile, the Malaysian Government Investment Issue (MGII) yield curve also steepened in line with the movements in the MGS yield curve. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.58% (+12bps), 3.81% (+17bps), 3.88% (+9bps), 4.02% (+12bps), 4.14% (+13bps), 4.33% (+9bps), 4.49% (+11bps) respectively. Overall, credit spreads continued to tighten in September driven by higher MGS as valuation of corporate bonds tend to lag, giving thinner buffers to protect investors from potential downside risks.

Bank Negara Malaysia (BNM) kept the overnight policy rate (OPR) unchanged at 3% for the second consecutive meeting as it expects growth will continue to be supported by resilient domestic expenditure amid the challenging external environment. The central bank has dropped the "slightly accommodative" phrase, highlighting that the prevailing OPR level is consistent with the current assessment of the inflation and growth outlook, which remains supportive of the economy.

Data released during the month showed that Malaysia's industrial production index (IPI) bounced back into positive territory with 0.7% YoY growth in Jul'23 (Jun'23: -2.2% YoY), backed by the expansion in the mining sector (Jul'23: 4.2%, Jun'23: -6.4%) and the electricity sector (July'23: 1.5%. Jun'23: 2.8%).

Meanwhile, exports fell more than expected for a 2nd straight month, by 18.6% YoY in Aug'23 (Jul'23: -13.1% YoY), while imports also registered a bigger than expected contraction of 21.2% YoY (Jul'23: -15.9% YoY) amid worsening imports of intermediate and consumption goods. This marked its 6th straight month of decline and the worst since May'20 during the peak of the pandemic era, reaffirming a still weak external trade environment that would impede overall growth in 3Q. The trade surplus, however, inched marginally higher MoM to RM17.3 billion in Aug'23 (Jul'23: RM17.1 billion), as imports fell at a faster pace (-1.6% MoM) relative to exports (-1.4% MoM).

FUND MANAGER'S COMMENTS (CONTINUED)

Headline consumer price index (CPI) remained unchanged at 2.0% in August, similar to the growth recorded in July 2023. The inflation recorded was mainly due to slower growth in restaurants and hotels, which fell to 4.7% from 5.0% in July; food and non-alcoholic beverages (4.1% against 4.4% in July 2023), as well as miscellaneous goods and services which moderated to 2.4% from 2.6% in the previous month. Meanwhile, core inflation moderated further to 2.5% in Aug'23 (Jul'23: 2.8%), outlining the easing pressure of underlying prices. That said, it is still outpacing the headline number for the 11th consecutive month, mainly reflecting the elevated prices of transport and food which are not subsidized and the resilience of domestic demand.

Outlook & Strategy

With the recent larger-than-expected auctions, we are revising the total gross MGS and MGII issuances of RM180 billion in 2023 (vs our earlier projection of RM175 billion). Nevertheless, we opine the upcoming budget to be largely bond positive as the new government is committed to fiscal consolidation of reaching fiscal deficit of 3.2% of GDP by 2025 that will see further reduction in public debt and total debt to GDP ratio.

We will look for opportunities to switch out credits with ultra tight spreads, especially within the government guarantee and AAA rated bonds while switching into government bonds given higher yields from the recent correction.

Overall, we still prefer to overweight credit for better yield pick-up but would target new primary issuances for the re-pricing after the recent correction as credit yields movement lag the government bonds. We will also continue to participate actively in primary issuances with stable fundamentals.

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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 : 29 September 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.

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