# Sun Life Malaysia Conservative Fund

August 2022

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 | 32.10 million units<br>(30 August 2022) | Fund Size | RM48.27 million<br>(30 August 2022) |
| Unit NAV | RM1.5038<br>(30 August 2022) | Dealing | Daily<br>(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:<br>▪ Have a medium to long term investment horizon<br>▪ Want a diversified portfolio of fixed interest securities<br>▪ 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 |
|---|---|---|---|---|
| 86.01% | 8.07% | - | 5.92% | 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 | 5.58 | GII Murabahah | 4.417% | 30/09/2041 | 2.43 |
| MMC Corporation Bhd | 5.95% | 12/11/2027 | 3.36 | Edra Energy Sdn Bhd | 6.71% | 05/01/2038 | 2.41 |
| Ponsb Capital Bhd | 4.96% | 28/12/2028 | 3.32 | RHB Bank Bhd | 3.65% | 28/04/2031 | 2.35 |
| Projek Lebuhraya Usahasama Bhd | 4.80% | 12/01/2027 | 3.21 | UniTapah Sdn Bhd | 6.15% | 12/12/2030 | 2.29 |
| YTL Power International Bhd | 4.65% | 24/08/2023 | 3.13 | Sarawak Energy Bhd | 4.70% | 24/11/2028 | 2.14 |

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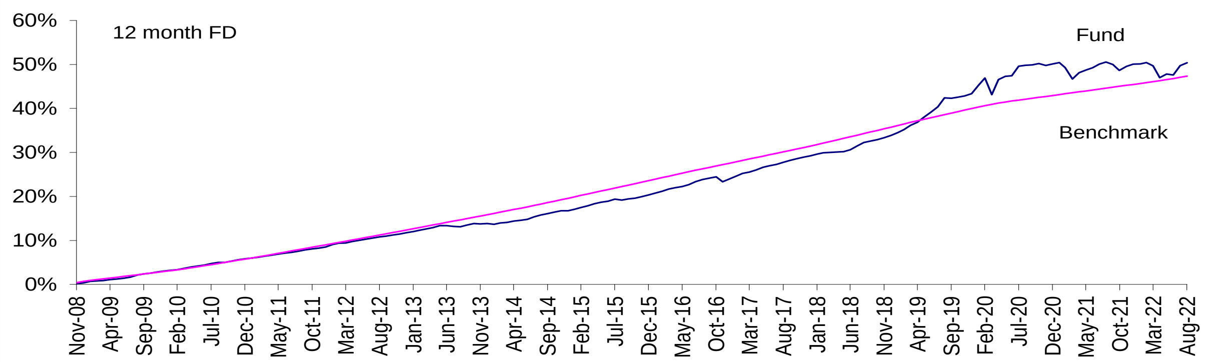
## PERFORMANCE RECORD




| % | YTD | 1M | 1-Year | 3-Years | 5-Years | 10-Years | Since Inception |
|---|---|---|---|---|---|---|---|
| **Fund*** | 0.21 | 0.45 | -0.12 | 5.61 | 17.71 | 35.72 | 50.38 |
| **Benchmark** | 1.30 | 0.19 | 1.89 | 6.31 | 13.23 | 32.46 | 47.34 |

** 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 MGS yield curve steepened in the month of August, with the 1- to 5-year shifting downwards by 5 to 15bps, while the 7-year to 10-year tenures adjusted upwards by 5 to 9bps, and the 15- to 30-year tenures adjusted upwards by 1 to 3bps. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.43% (-15bps), 3.70% (-5bps), 3.91% (+5bps), 3.98% (+9bps), 4.28% (+3bps), 4.41% (unchanged) and 4.62% (+1bp) respectively at the end of August. Meanwhile, across the rating curve, movements on credit spreads were mixed during the month, widening in the 3- to 5-year parts of the curve as the sovereign yields traded lower, while tightening in the other parts of the curve as investors shifted their attention across the bellies within corporate bonds.

Data released during the month showed that Malaysia's Industrial Production Index ("IPI") for the month of June accelerated to +12.1% YoY after slowing in the preceding two months, driven by surges in manufacturing and electricity. Additionally, we also saw a rebound in mining on turnaround in natural gas production. Meanwhile, Malaysia's 2Q2022 real GDP grew +8.9% YoY (consensus: +6.7%; 1Q22: +5.0%), driven mainly by stronger services and domestic demand which benefited from the full economic reopening, plus faster manufacturing and rebound in construction, which offset the reversal in agriculture and further contractions in mining due to labor shortages. Malaysia's trade balance surplus declined to RM15.49 billion in July (cons: RM17.45 billion; June: RM21.93 billion), mainly due to a decline in overall exports by 8.2% MoM to RM134.1 billion as the momentum on tech exports slowed down. Meanwhile, total imports declined by 4.5% MoM to RM118.6 billion. Data released during the month also showed headline inflation spiked to +4.4% YoY in July (cons: +4.4%; June: +3.4%), while core inflation rose to +3.4% YoY (June: +3.0%) - mainly on rising food prices and reopening related items (i.e. hotels, restaurants, recreation & culture).

The supply-demand dynamics for 3Q2022 remains supportive with a total of RM41.2 billion (52.2%) government bonds maturing between July to September 2022. The recent announcement of Petronas' RM50 billion of dividends to the government will also help to cap the supply issuances from the Government. Thus far, domestic liquidity remains healthy given the strong bid-to-cover ratios of above two times for all the August auctions.

## FUND MANAGER'S COMMENTS (CONTINUED)

Meanwhile, primary issuances in the month of August increased by 30% to RM10.9 billion, bringing the total YTD issuances to RM65.02 billion (YTD August 2021: RM57.63 billion). Corporate bond primary issuance is also expected to remain robust in the near term. Corporate bond maturities in 2022 is estimated to be around RM90 billion which is larger than RM70-75billion for the previous year.

### Outlook & Strategy

Despite the recent steepening and higher yields in the bellies of the curve, we still see opportunity to take profits on the government bonds as valuations seem fair after the recent rally. Given the upside risks on inflation in the near-term and coupled with hawkish tones from global central banks, local sentiment may weaken in the local government bonds. Overall, we continue to maintain our strategy to overweight on corporates for better yield pickup. Credit supply continues to be vibrant, and we aim to rebalance positions and move to new credits when possible.

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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:<br>• Economic and financial market conditions<br>• Political change<br>• Broad investor sentiment<br>• Movements in interest rate and inflation<br>• Currency risks<br><br>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***
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