

# Sun Life Malaysia Conservative Fund

November 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	33.32 million units (29 November 2024)	Fund Size	RM55.06 million (29 November 2024)
Unit NAV	RM1.6524 (29 November 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

Fixed income securities	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
87.78%	8.03%	0.00%	4.19%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

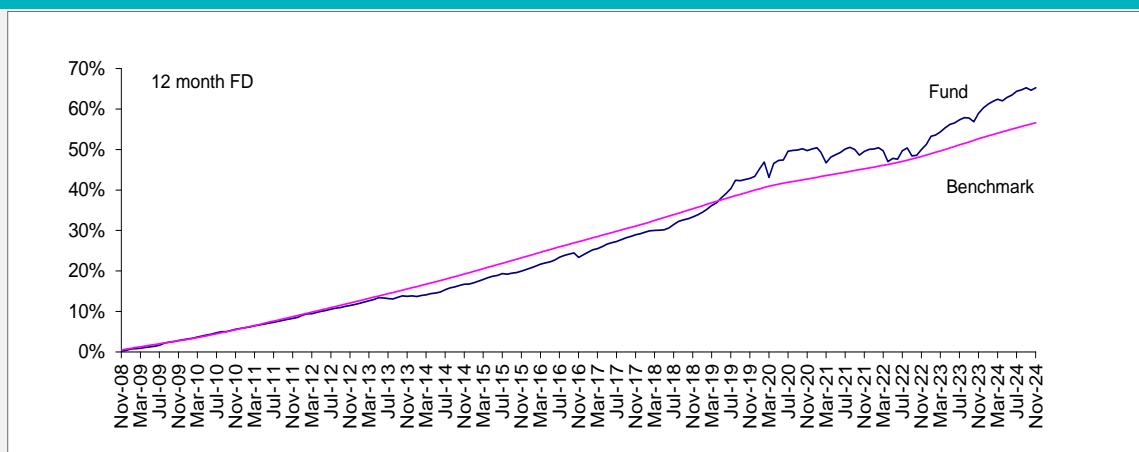
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## TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	47303	4.64	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	2.65
Ponsb Capital Bhd	4.96%	47115	3.94	UniTapah Sdn Bhd	4.291%	14/08/2043	2.17
Edra Energy Sdn Bhd	6.23%	48218	3.72	Projek Lebuhraya Usahasama Bhd Sukuk Plus	6.15%	12/12/2030	1.94
Prasarana Malaysia Bhd	4.54%	52625	2.83	Sarawak Energy Bhd	4.954%	12/01/2037	1.88
MMC Corporation Bhd	5.95%	46703	2.77	Malaysia Government Securities	4.49%	23/10/2043	1.83

## PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	3.04	0.35	3.98	10.48	15.68	-	65.24
<b>Benchmark</b>	2.18	0.02	2.44	7.66	11.98	31.13	56.37

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

## FUND MANAGER'S COMMENTS

### Market Review

The Malaysian Government Securities (“MGS”) yield curve in the month of November displayed a mild bull steepening, with shorter-term yields declining more sharply (-8bps) than long-term yields (-5 to -9bps). However, the largest declines were observed in the mid-curve, particularly in the 7Y and 10Y tenors. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.51% (-8bps), 3.62% (-8bps), 3.77% (-15bps), 3.82% (-11bps), 3.96% (-6bps), 4.07% (-9bps) and 4.21% (-5bps), respectively in November.

The Government Investment Issue (“MGII”) yield curve shifted lower, and bull steepened in November. Shorter-term yields declining more sharply (-7bps) than long-term yields (-5 to -8bps) with medium-term yields dropping the most (-13 to -15 bps). The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.47% (-7bps), 3.64% (-7bps), 3.77% (-15bps), 3.82% (-13bps), 3.98% (-5bps), 4.11% (-8bps), and 4.20% (-1bps), respectively in November.

Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (OPR) at 3% at its Monetary Policy Committee (“MPC”) meeting on 5 & 6 November. In a statement, BNM said that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects.

Malaysia’s GDP expanded by 5.3% yoy in 3Q2024 but slowed from 5.9% in 2Q24 (18-month high). Growth was largely driven by strength in investment activities linked to investment projects (+15.3%, up from +11.5% in 2Q) and exports (+11.8%, up from +8.4% in 2Q) as well as household spending. However, private consumption growth slowed to +4.8% (from +6.0% in 2Q). The 3Q figure was in line with the advanced estimate of 5.3% reported by the statistics department in October. For the first nine months of 2024, Malaysia’s economic growth was 5.2%, compared to a 3.8% growth in the same period last year, putting the country on track to achieve the government’s official forecast range of 4.8-5.3% for 2024.

Malaysia’s headline inflation rose slightly to 1.9% year-on-year (yoy) in October from 1.8% in September, not exceeding 2% for the 15th consecutive month. Inflation was primarily driven by higher prices in food and beverages (up 2.3%), personal care, social protection, and miscellaneous goods and services (up 3.4%). Core inflation remained steady at 1.8% yoy in October (September: 1.8%).

S&P Global Malaysia manufacturing purchasing managers’ index (PMI) dipped slightly to 49.2 in November 2024 (October: 49.5), signaling a marginal moderation in the health of the sector. New orders, production, and stock levels all saw declines, while employment was broadly stagnant. New orders eased for the fourth time in five months amid subdued demand, marking the steepest decline since April.

Industrial production index (IPI) growth moderated to 2.3% yoy in September 2024, falling short of expectations, after a 4.1% increase in the previous month, dragged by weaker production in the manufacturing and electricity sectors, according to the Department of Statistics (DOSM). For 3Q2024, the IPI rose by 3.9%, compared to 4.5% in 2Q2024. This increase was driven by the manufacturing sector, which grew by 5.8%, up from 4.9% in the previous quarter.

In October, Malaysia’s trade marked its 10th consecutive month of yoy growth, growing 2.1% to RM244.26 billion. Exports rebounded by 1.6% to RM128.12 billion with strong demand for manufactured goods, whereas imports expanded at a more modest pace of 2.6% to RM116.14 billion, resulting in a trade surplus of RM11.98 billion. This marks the 54th straight month of surplus since May 2020.

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

**Outlook & Strategy**

BNM expects Malaysia's economy to remain robust in 2025 (2025 GDP growth expectation: 4.5-5.5%), underpinned by resilient domestic demand supported by improvements in employment and income, alongside a recovery in exports. Also, the increase in civil servants' minimum wages in February 2025 is likely to stimulate economic growth through a boost in domestic consumption.

Inflation is expected to remain moderate between 2.0-3.5% for 2025 but with potential upside risk from subsidy rationalisation measures (eg RON95 petrol subsidies by mid-2025). This could exert upward pressure on bond yields. Economic data releases for the December month include October's Industrial Production on 10 December, November's Inflation on 20 December and November's PPI on 24 December. The next BNM MPC meeting will be held next year on 22 January 2025.

Meanwhile, fewer MGS/GII supply for the remaining month of the year may provide some positive catalyst for the local bond market. In December, there will be only one auction with the reopening of the 10-year MGS 07/34. BNM rescheduled the 10-year MGS auction to December from November and canceled the 3-year GII auction initially planned for December.

Overall MGS and MGII yield curves shifted lower in the month of November. MGS yield curve bull steepened with yields dropping 5-15bps across the curve. MGS term spreads narrowed across all tenors and stayed below their longer-term averages. Likewise, corporate bond yields generally soften by 1-5bps MoM along the AAA and AA2 curve, particularly at the longer end of the curve. During the month, credit spreads widened, with the most notable shifts observed in the shorter tenors across all rating categories. However, corporate spreads remain below their long-term averages.

The recent correction in MGS remains appealing for govies; however, we remain cautious about potential short-term volatility, driven by a more resilient US economy, shifting expectations on the US rate cuts trajectory, and market sensitivity to announcements of new US government fiscal measures and policies. At the same time, new corporate bond issuances remain attractive given their favorable valuations, while the current market backdrop continues to support an overweight duration strategy.

## 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 : 29 November 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.