

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	31.88 million units (31 December 2020)	Fund Size	RM47.85million (31 December 2020)
Unit NAV	RM1.5012 (31 December 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%

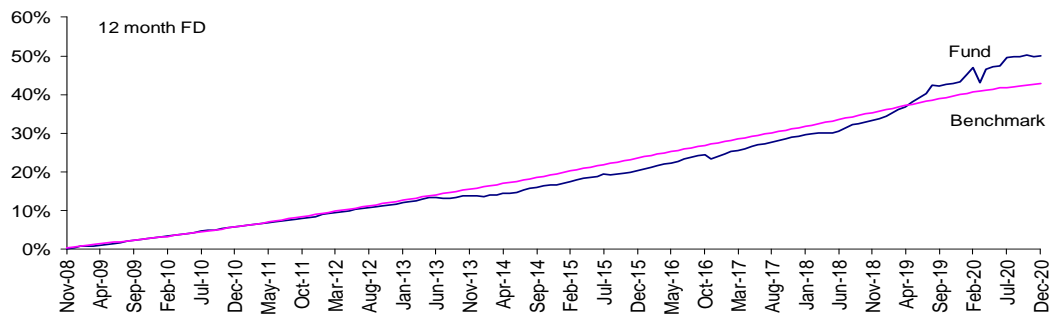
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
91.49%	2.96%	-	5.56%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
IJM Corp Bhd	5.05%	18/08/2028	6.93	Fortune Premiere Sdn Bhd	4.65%	21/12/2022	4.33
Sarawak Energy Bhd	5.50%	04/07/2029	6.32	MMC Corporation Bhd	5.95%	12/11/2027	3.54
GENM Capital Bhd	4.98%	11/07/2023	5.56	YTL Power International Bhd	4.65%	24/08/2023	3.32
WCT Holdings Berhad	5.32%	11/05/2022	5.36	Sports Toto Malaysia Sdn Bhd	4.95%	30/06/2022	2.78
Fortune Premiere Sdn Bhd	4.85%	07/09/2023	4.45	Ambank Bhd	4.98%	15/11/2028	2.77

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	4.71	0.25	4.71	16.18	24.74	45.45	50.12
Benchmark	2.10	0.15	2.10	8.75	15.66	35.15	42.93

* 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

In December-2020, the MGS yield curve bullish flattened as Budget 2021 narrowly passed at the Lower House. Long-end curve retracted from recent high by as much as 16 – 36bps supported by local real money and foreign investors. Short-end curve was largely unchanged reflecting investors view of low probability of further OPR cut. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 1.94% (-6bps), 2.15% (-7bps), 2.43% (-22bps), 2.59% (-16bps), 3.25% (-30bps), 3.40% (-36bps) and 3.86% (-29bps) respectively at the end of December.

Outlook & Strategy

There were only a handful of domestic economic data released in December 2020. Industrial production dropped 0.5% YoY in October-2020, swinging from September's +1.0% YoY increase and contracting for the first time in four months. October's downturn was largely attributed to a stronger decline in mining and quarrying output, largely due to the reimplementation of CMCO in most of the states since early October. Consumer Price Index continue to slipped for the 9th consecutive month in November-2020 to -1.7% YoY mainly attributed to the decrease in transportation (-11%) and utilities (-3%). Soft inflation continue to provide support for low bond yield which is crucial for 2021 economic recovery. Lastly, trade surplus in November-2020 surged to RM16.8bn as exports rose by 4.3% YoY, while import dropped by 9.3% YoY. The better export performance for the month was supported mainly by higher exports to US, Singapore, China and Hong Kong (Electrical and Electronic products). Despite with the revised Budget 2021, the official fiscal deficit target from MoF was unchanged at -5.4% for 2021. Based on our forecast, that should translate to around RM160bn of gross funding requirement. The 37 government bond auctions in 2021 will see higher frequency of issuance in the 3y – 5y bucket but we expect the actual amount supply to come in the 7y – 10y bucket.

We carry on with our Q42020 strategy to take profit on govies and move to credits for better yield pick-up. With that said, we continue to be mindful in our credit selection with a preference on Issuers/Sectors which are more resilient with stronger fundamentals, as well as better liquidity. Any sell-off in the market is an opportunity to buy on dip as we continue to expect government bond yields to remain range-bound but to be mindful that it is for trading purposes only.

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 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 December 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.