Sun Life Malaysia Conservative Fund
February 2025

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	25.97 million units (28 February 2025)	Fund Size	RM43.37 million (28 February 2025)
Unit NAV	RM1.6696 (28 February 2025)	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: ▪ 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	Fund Management Charges	Management Fee: 1.0% p.a

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	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
91.71%	3.42%	0.00%	4.87%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

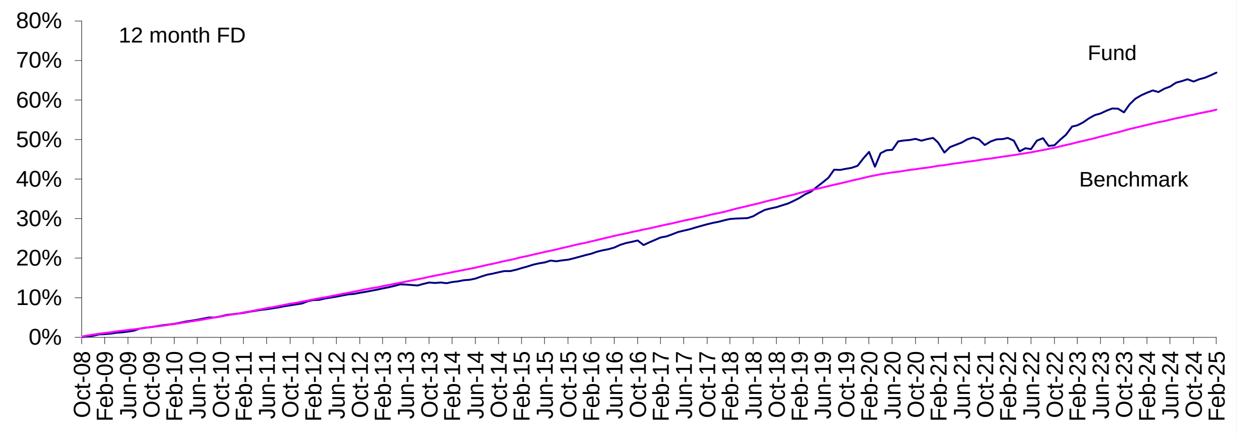
Sun Life Malaysia Conservative Fund

February 2025

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	6.21	Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.32
Prasarana Malaysia Bhd	4.54%	29/01/2044	4.91	Malaysia Government Securities	4.065%	15/06/2050	2.30
Edra Energy Sdn Bhd	6.23%	05/01/2032	2.63	Malayan Banking Bhd	3.10%	08/10/2032	2.29
UniTapah Sdn Bhd	6.15%	12/12/2030	2.59	YTL Corp Bhd	4.60%	23/06/2034	1.94
Sarawak Energy Bhd	4.70%	24/11/2028	2.41	Tenaga Nasional Bhd	4.98%	27/08/2038	1.91

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	0.77	0.40	3.14	10.99	13.66	42.13	66.96
Benchmark	0.40	0.21	2.57	8.07	12.10	31.12	57.65

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

Source: Lipper

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

Sun Life Malaysia Conservative Fund

February 2025

FUND MANAGER'S COMMENTS

Market Review

Local government bonds market continued to be supported with marginal movements amid the low US Treasuries ("UST") yield levels in February. The Malaysian Government Securities ("MGS") yield curve steepened mildly with the 3-year to 10-year moving lower by 1 to 3 bps, apart from the 20-year which closed marginally higher by 1bp. Meanwhile, the 15-year MGS remained unchanged, and the 30-year adjusted lower by 1bp towards for the month. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed at 3.50% (-2bps), 3.63% (-3bps), 3.75% (-1bps), 3.81% (-1bps), 3.98% (0bps), 4.07% (+1bp) and 4.20% (-1bp), respectively in February.

Malaysia's economy grew by 5.0% YoY in 4Q2024, higher than the official advance estimates of 4.8% released earlier. The 4Q2024 growth was supported by the strong expansion in investment activities, sustained household spending amid improved labor market conditions and policy support as well as continued growth in exports of goods and services. Full year GDP growth accelerated to 5.1%, sharply higher than 3.6% in 2023, due to continued expansion in domestic demand of +6.5% YoY (2023: +4.6% YoY) and a rebound in net exports to +2.2% YoY (2023: -16.2% YoY).

Headline inflation held steady at 1.7% YoY in January 2025 (December 2024: 1.7%). Food & beverages and housing & utilities, which made up of 29.8% and 23.2% of the CPI basket respectively, rose at a slightly moderated pace at 2.8% and 2.5% as compared with 3.2% and 2.7% respectively in the previous month. Meanwhile, core inflation ticked up for the first time in 10 months to 1.8% YoY in January (December 2024: 1.6%).

The unemployment rate fell to 3.1% in December 2024 from 3.2% in November 2024, thereby making the full year unemployment rate at 3.3% for 2024 as compared to 3.4% in the previous year 2023. The improvement in labor market in 2024 was partly contributed by a sustained labor demand across various sectors which saw an increase in job opportunities. Labor supply remained forthcoming with the labor force participation rate in 2024 increased to 70.4% from 70% in 2023.

In January, the Producer Price Index recorded the second consecutive month of increase by 0.8% YoY from 0.5% YoY in December 2024. The increase was driven by the agriculture, forestry and fishing sector which recorded an increase of +16.5% in January (December 2024: +23.8%) while the mining sector continued to contract by 1.3% (December 2024: -7.0%).

Exports in January 2025 recorded slower increase of 0.3% YoY from 16.9% YoY in December 2024. The slowdown in exports was broad based across key sectors and key export destinations. By sector, manufacturing exports rose 0.4% YoY (December: +18.5% YoY), agriculture exports softened to 11% YoY (December: +28.9% YoY) and mining shipments declined by -12.6% (December: -5.1% YoY). Broadly, exports to the US and Singapore continued to grow but at a slower pace whilst the exports to China turned negative after the brief rebound in December 2024. Additionally, imports rose at a slower pace of 6.2% YoY in January as compared to 11.9% in December, hampered by the fall in consumption goods imports.

The S&P Global Malaysia Manufacturing PMI rose to 49.7 in February 2025 from 48.7 in January. New orders increased for the first time in four months though growth was modest. Domestic demand improved but export orders declined for the third consecutive month, particularly in the Asia-Pacific region.

FUND MANAGER'S COMMENT (CONTINUED)

Outlook & Strategy

2024 GDP growth has turned out on the higher side of expectation at 5.1% for 2024 (2023: 3.6%), exceeding the government's initial forecast range of 4%-5% announced in Budget 2024. The positive growth momentum is expected to continue in 2025 driven largely by robust expansion investment activity, resilient household spending supported by upward revision of the minimum wage and civil servant salaries, as well as expansion in exports. The growth outlook remains subject to downside risks from the external developments and uncertainties arising from the US trade policy and tariff actions.

Upcoming economic data releases in March include the Monetary Policy Committee meeting (6th March), Trade data (20th March), CPI (21st March) and BNM Annual Report 2024 (24th March) which will provide some key official economic guidance for the year.

In line with the government's effort to narrow its fiscal deficit, total government auctions for 2025 are estimated to be RM163.5 billion, relatively lower than total issuance in 2024 of RM175 billion. Domestic liquidity remains healthy given the strong BTC of above 2x for the January and February auctions.

There are three auctions in March which are weighted on the longer end of the curve, i.e. the 15-year reopening of MGS4/39, 30-year reopening of MGII3/54 and the 10-year reopening MGII7/34. While we will see the first net supply of government securities turning negative in March with the large maturity of MGS 3/2025 of RM16.7 million on 14th March, long duration supply will intensify from March onwards with nine out of 11 auctions between March to June are from 10-year to 30-year bucket. In February, the local government bonds remained supported with marginal movements amid lower UST yields. The MGS curve yield curve shifted lower in the belly of the curve.

On valuations, 5-year and 7-year appear fair relative to other parts of the curve with spreads of 72bps and 95bps respectively which are tighter than the 5-year historical mean spreads of +0.84bps and +1.08bps respectively. The strong demand on the belly will exert pressure on the spreads to remain narrow given the limited supply this year. During the month, credit spreads narrowed for GGs, AAA and AA segments for most tenors, except for the shorter tenor particularly the 3-year which stayed unchanged for the AAA and AA rating segments.

We continue to expect credit spreads to remain compressed as the policy rate is expected to stay unchanged for most of 2025, which would limit movements in benchmark MGS. Based on the news flows and market chatter, we are seeing some corporate issuers tapping the capital market recently though average issuance size is not huge and book covers for these issuances have been strong despite the tight credit spreads.

We are mindful of the external headwinds due to US trade policy and tariff actions and potential geopolitical tensions, thereby leading to a risk off sentiment. We could see market volatility to persist in the coming months. Given that the local market has been well supported for the first two months of the year, we aim to take profit on the rich tenors and reduce some duration risk amid the heavy duration supply in the near term. We will continue to look for opportunities to buy on weakness.

Similarly, for the credit segment, we will take profits on the overvalue credits and cherry pick on primary issuances as more issuers are seen tapping the market with credit spreads at near record low. Overall, we continue to stay overweight in the credit segment for better yield pickup. We prefer issuers with strong financial metrics and fewer exposures to external trade shocks.

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 : 28 February 2025