Sun Life Malaysia Balanced Stable Fund

October 2021

FUND OBJECTIVE

To provide a mixed exposure into equities and bonds, with higher allocation in bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	1.55 million units (29 October 2021)	Fund Size	RM2.53 million (29 October 2021)
Unit NAV	RM1.6307 (29 October 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	25% FBM100 + 75% 12 month FD
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee
Risk Profile	Suitable for investors: ▪ Want a diversified portfolio in equities but higher exposure in bonds ▪ Prefer less volatile performance and want slightly higher gains than bond return	Fees	The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges: ▪ Sun Life Malaysia Growth Fund: 1.5% p.a. ▪ Sun Life Malaysia Conservative Fund: 1.0% p.a. ▪ There are no other fund management charges on this fund

ASSET ALLOCATION

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund
75.00%	25.00%

WHERE THE FUND INVESTS

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
75.51%	24.77%	-0.28%	100.00%

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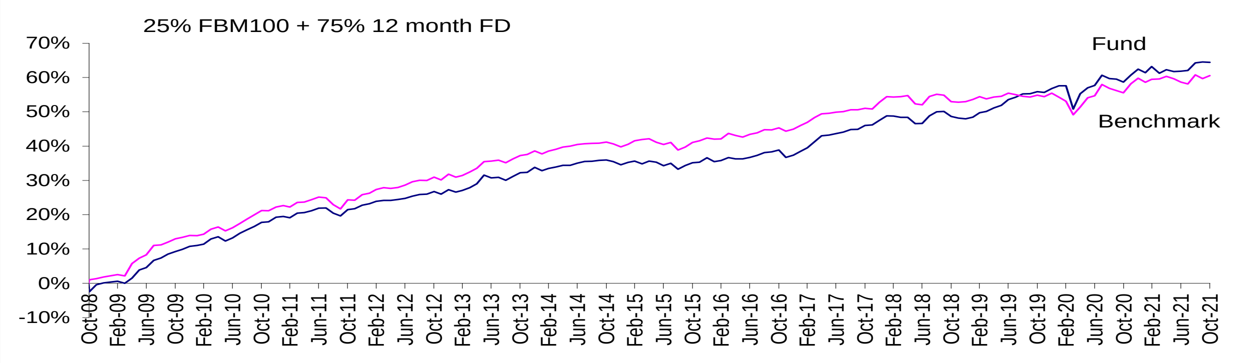
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.22	-0.06	3.64	10.62	18.38	35.33	64.41
Benchmark	0.48	0.54	3.24	4.99	10.49	29.14	60.59

** 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

In October 2021, the Fund's performance decreased by 0.06%, underperforming the benchmark by 0.60%.

FBMKLCI rebounded 25pts or 1.6% to 1,562pts in October. Investors heaved a sigh of relief as policy risks abated, with earlier plans to impose windfall tax on companies that profited during pandemic scrapped. Further relaxation of movement controls spurred reopening plays further. In contrast, Glove stocks were hit by fresh bans by the US CBP.

Malaysia's manufacturing PMI rose further to 52.2pts in October from 48.1pts in the previous month, the strongest expansion since April. Production and new order volumes also recorded its first increase in six months, aided by lifting of movement restrictions. That said, manufacturers complained of sustained supply-chain constrains and delivery delays which inhibited the recovery, while material shortage and logistics have fueled cost inflation. Purchasing activity also remained relatively subdued at the start of 4Q21. IHS Markit indicated that, "Manufacturers expressed optimism regarding the year-ahead outlook for the fourth month running, citing hopes of a domestic and external recovery in demand should the pandemic continue to dissipate".

Ministry of Finance delivered Budget 2022 speech in parliament and it features the largest expenditure ever at RM332.1 bn (+3.6% YoY), with higher allocations to opex (+6.3% to RM233.5 bn) and record high devex (+21.9% to RM75.6 bn) but lower COVID-19 expenditure (-41% to RM23 bn) - with consumers and SMEs being the standout beneficiaries from the expansionary budget. The higher expenditure will be offset by higher projected revenues of RM234 bn (+6% YoY), leading to a slightly lower deficit of RM97.5 bn in 2022 (2021: RM98.8 bn). The deficit ratio is expected to decline to 6.0% of GDP (from 6.5%), largely relying on the rebound in nominal GDP between +7.7% - 8.7% in 2022. Under the Medium-Term Fiscal Framework, the MoF is targeting the fiscal deficit to average at 5.0% of GDP from 2022 - 2024, which implies the fiscal deficit target to consolidate to 4.7% in 2023 and 4.3% in 2024, and further consolidating to 3.0 - 3.5% by 2025 under the 12th Malaysian Plan.

While we are not expecting BNM to change OPR tone in the November 2021 meeting, internally we are expecting the first OPR hike to happen in 2H2022. We are now penciling one to two hikes in 2021 depending on the speed of recovery. Given our assessment, yield curve will likely bear flattened but total return will still be higher in the 7-year tenor compared to 5- and 3-year. Also, with economy recovery, we can expect credit spreads to price tighter, but not much tighter from the current level. As such, Portfolio will keep a neutral duration with more focus on high grade credits.

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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 Stock and/or 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 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.
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 October 2021

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.