Sun Life Malaysia

Sun Life Malaysia Balanced Stable Fund

August 2020

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	1.60 million units (28 August 2020)	Fund Size	RM2.54 million (28 August 2020)
Unit NAV	RM1.5839 (28 August 2020)	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
75.19%	24.83%	-0.02%	100.00%

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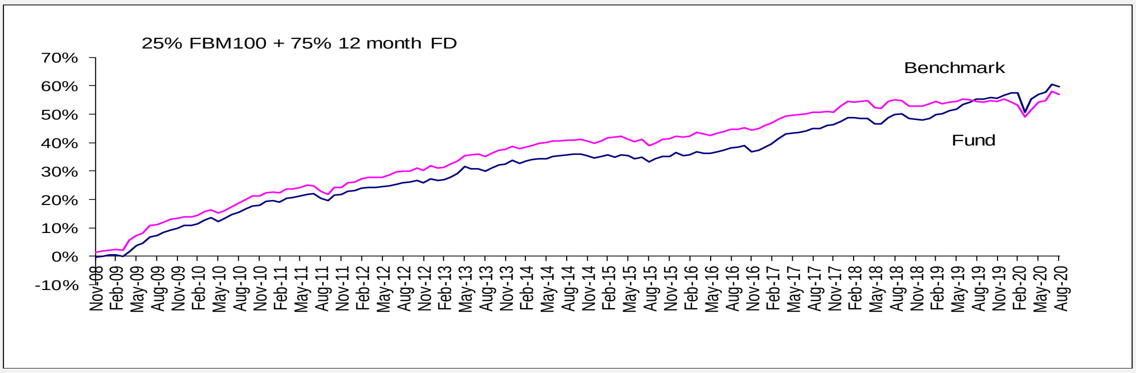
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
Fund*	1.87	-0.58	2.86	10.26	19.86	38.14	59.69
Benchmark	0.90	-0.71	1.49	4.14	12.97	32.11	56.85

** 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 August 2020, the Fund's performance decreased by 0.58%, outperforming the benchmark by 0.13%.

FBMKLCI underperformed its regional peers in August with a 4.9% loss. The technology (+11.3%) and healthcare (7.5%) sectors continued to make higher grounds. Other notable gainers include energy (+6.5%) and property (+3.5%). On the other hand, construction (-4.5%) and finance (-4.0%) sectors were the major contributors to the index decline amid disappointing 2Q20 earnings.

2Q20 earnings season was a disappointment despite earlier expectation of severe earnings contraction due to the full impact of MCO. The earnings disappointment was further compounded by the absence of any interim dividends by the banks to preserve capital against potential losses as the end of loan moratorium looms. With the exception of banks which will continue to face asset deterioration risk post the end-Sep fiscal cliff and tourism related stocks, the worst is likely over for the rest of the listed companies. The reopening of economy since early May will lead to meaningful earnings rebound in 2H20 which is supported by the sharp rebound in the purchasing manager index from the low of 31.3 in Apr to 49.3 in Aug which is just a notch lower than the 50 parity level. We are turning cautious on small- and mid-cap stocks following recent rally and advise taking profit. On the big cap space, the YTD outperformance of the benchmark index against regional peers has largely been driven by glove stocks. Despite continued strong demand for glove, bullish investors' sentiment has somewhat cooled amid news of vaccine development. We are neutral on glove stocks now and would prefer laggards as well as stocks which benefit from reopening of economy. Key downside driver for the Malaysian equity market is political uncertainty but we believe any correction will unlikely to re-test Mar's low given the supportive monetary and fiscal stimulus.

2Q2020 GDP contracted sharply by 17.1% YoY and 16.5% QoQ (1Q2020: +0.7% YoY and -2.0% QoQ) as the economy was affected by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q. However, BNM note that with more economies open up, recovery is well underway, and GDP forecast for 2021 is in the range of 5.5% - 8.0%. Malaysia's CPI continued to decline for the fifth consecutive month albeit at a slower pace of 1.3% YoY in July 2020 (June: -1.9% YoY), led by smaller decreases in transport prices and softer gain in food prices. Malaysia's unemployment rate fell from a record high of 5.3% in May 2020 to 4.9% in June 2020 as more sectors reopened due to the implementation of RMCO. The number of unemployed persons declined by 52,900 (-6.4%) MoM to 773,000 people in June 2020.

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 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 : 28 August 2020

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