

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	31.33 million units (29 May 2020)	Fund Size	RM46.15 million (29 May 2020)
Unit NAV	RM1.4730 (29 May 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%

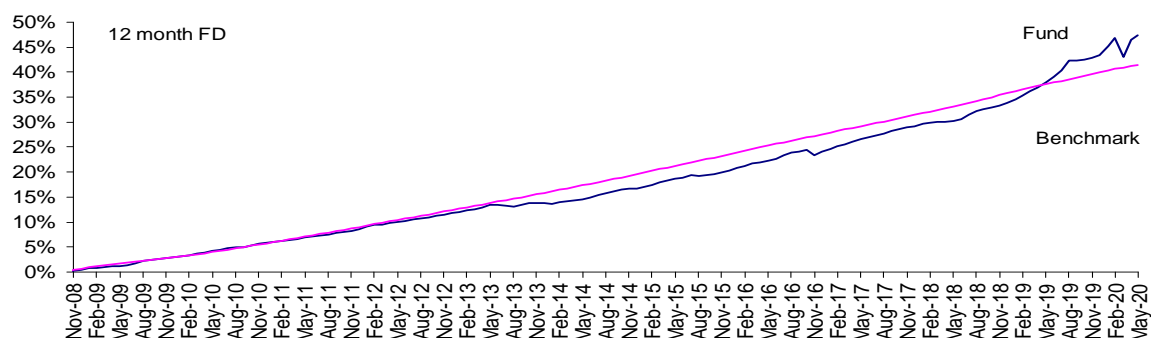
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
84.12%	7.87%	-	8.01%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Fortune Premiere Sdn Bhd	4.65%	21/12/2022	9.17	Fortune Premiere Sdn Bhd	4.85%	07/09/2023	4.60
IJM Corp Bhd	5.05%	18/08/2028	7.13	MMC Corporation Bhd	5.95%	12/11/2027	3.59
Sarawak Energy Bhd	5.50%	04/07/2029	6.50	GII Murabahah	4.07%	30/09/2026	3.54
GENM Capital Bhd	4.98%	11/07/2023	5.80	YTL Power International Bhd	4.65%	24/08/2023	3.43
WCT Holdings Berhad	5.32%	11/05/2022	5.59	Exsim Capital Resources Bhd	5.00%	28/01/2022	3.36

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
Fund*	2.74	0.50	6.68	16.33	24.09	41.40	47.30
Benchmark	1.05	0.17	2.83	9.52	16.68	36.00	41.45

* 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

Following BNM's OPR cut by 50bps in May, the overall MGS yield curve steepened with the short-end of the curve rallying by 11 – 28bps, while the long-end of the curve sold-off by 3 – 17bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 2.29% (-11bps), 2.45% (-3bps), 2.63% (-5bps), 2.87% (-3bps), 3.22% (+9bps), 3.43% (+3bps) and 3.89% (+17bps) respectively at the end of May-2020

Outlook & Strategy

At its 4 – 5th May MPC meeting, BNM cut its OPR by another 50bps to 2.00%, following its 25bps cut in January and 25bps cut in March. The cut was mainly due to the significant weakening of the global and local economic conditions from the measures implemented to contain the spread of the coronavirus. The statement also reflects some “hope” that the monetary and fiscal stimulus, plus easing of lockdowns, both on the global and local front, will be able to gradually improve the economy. BNM, however, noted that this outlook is still subjected to a high degree of uncertainty. In addition, BNM also maintained the SRR at 2.00%, but has allowed banks to fully recognize their holdings of MGS and MGII to comply with the SRR requirement, effective 16 May 2020 until 31 May 2021. This has released an additional RM16 billion of liquidity into the system. Malaysia's 1Q20 GDP growth remained in positive territory, despite slowing to +0.7% YoY (4Q19: +3.6% YoY), which came above consensus estimates of -1.0% YoY. Positive surprises came from the relative resiliency of domestic demand growth (+3.7% YoY; 4Q19: +4.9% YoY), while being dragged down by a material contraction in net external demand (mainly on exports: -7.1% YoY v -3.4% YoY in 4Q19) and the supply side, especially on construction (-7.9% YoY v +1.0 YoY in 4Q19).

FUND MANAGER'S COMMENTS (CONTINUED)

Unemployment numbers ticked up from 3.3% in February to 3.9% in March 2020 (highest since 4.0% in March 2009). The economic data is expected to worsen in 2Q20, before gradually improving in the 3Q20 and 4Q20, albeit in negative territory. Malaysia's headline inflation rate in April 2020 fell by -2.9% YoY (March 2020: -0.2% YoY), mainly due to the lower transport and fuel costs from lower crude oil prices. In addition, the 18% reduction in PLUS tolled highways also contributed to the low inflation figure. Core inflation, however, sustained at +1.3% YoY (March 2020: +1.3% YoY), underscoring the dominant impact of global crude oil prices on headline inflation. BNM expects inflationary pressures to remain muted in 2020, with average headline inflation likely to be negative due to lower crude oil prices. Underlying inflation to remain weak, given weaker domestic growth prospects and labor market conditions. With weak economic data expected to run into 2Q2020, MYR government bond market may continue to trade on rate cut bias. With inflation numbers continue to run low, central bank should have room to deliver more rate cut but we are still calling this a "data dependent" event for now. On the technical side, with rising global rates as a result of better equity sentiment could drive away demand for safe asset – we are already witnessing this in the later part of May-2020 as the long-end MYR rates rose higher despite a 50bps of OPR cut. Also, Malaysia government appear to be preparing for another round of stimulus to be tabled in June which could further push the fiscal deficit numbers to above 5%. Combining both the fundamental and technical points above, we will only take neutral duration for the Fund.

Source : *Principal Asset Management Bhd*
Date : *29 May 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.