

# Sun Life Malaysia Conservative Fund

October 2022



## 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	32.02 million units (31 October 2022)	Fund Size	RM47.57 million (31 October 2022)
Unit NAV	RM1.4857 (31 October 2022)	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"> <li>Have a medium to long term investment horizon</li> <li>Want a diversified portfolio of fixed interest securities</li> <li>Are looking for a less volatile investment but can accept lower returns</li> </ul>	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
89.14%	7.87%	-	2.99%	100.00%

## TOP HOLDINGS OF THE FUND

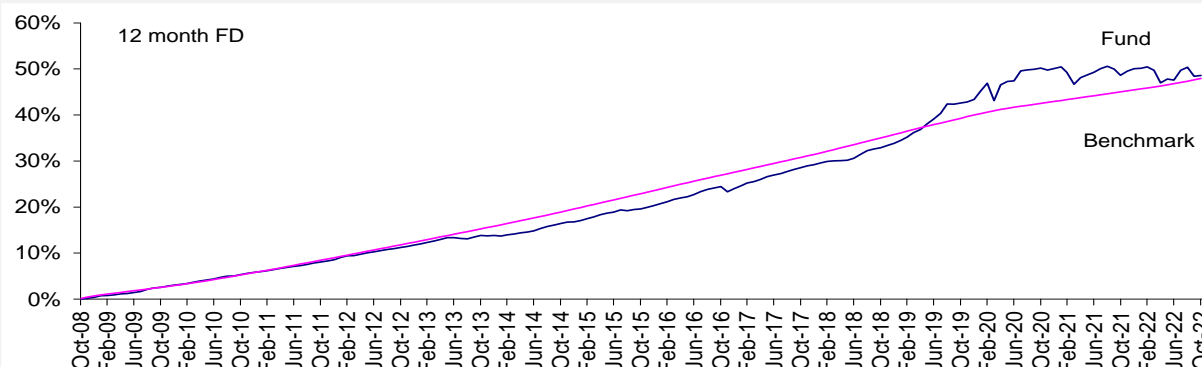
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.59	YTL Power International Bhd	4.65%	24/08/2023	3.20
RHB Bank Bhd	3.65%	28/04/2031	4.39	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.39
MMC Corporation Bhd	5.95%	12/11/2027	3.39	GII Murabahah	4.417%	30/09/2041	2.32
Ponsb Capital Bhd	4.96%	28/12/2028	3.34	UniTapah Sdn Bhd	6.15%	12/12/2030	2.28
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.23	Kapar Energy Ventures	4.95%	03/07/2026	2.16

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## PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	-0.99	0.11	-0.03	4.19	15.55	33.56	48.57
<b>Benchmark</b>	1.72	0.21	2.02	6.22	13.13	32.34	47.95

\* 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

The Malaysian Government Securities ("MGS") yield curve shifted higher in the short to belly of the curve by 6 to 16bps with the 5-year cheapening the most during the month. Meanwhile, the curve shifted lower for the 10-year and 15-year maturities as the 10-year closed lower by -8bps this month. The long end however remained largely unchanged. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 3.93% (+6bps), 4.18% (+16bps), 4.29% (+1bps), 4.36% (-8bps), 4.65% (-3bps), 4.81% (+2bps) and 5.03% (+0bp) respectively at the end of October.

Meanwhile, Malaysia 2023 Budget was tabled on 7 October followed by the dissolution of the Parliament on 10 October 2022. Following that, the 15th General Elections was announced to be held on 19 November with nomination day to be on 5 November. Budget 2023 was mildly expansionary as it proposed a total expenditure of RM372.3 billion, higher than the proposed RM322 billion for Budget 2022. The proposed spending for 2023 is nevertheless lower than the estimated spending of RM385.3 billion where the latter included the Covid fund. There was an increase in development expenditure to RM95 billion from RM76 billion. A lower fiscal deficit target is set for 2023 at 5.5% of GDP (2022: 5.8% of GDP (revised) vs. 6.0% budgeted). The target is higher than previously guided under medium-term fiscal framework ("MTFF") Budget 2022.

Government bond auctions continued to be weak in October with bid-to-cover ("BTC") ratios remaining below the 2x handle for all three auctions held during the month. The reopening of the GII 10/32 resulted in the lowest BTC of 1.74x for the month due to its slightly larger than expected size at RM6bil coupled with its timing post dissolution of parliament. Meanwhile, the reopening of the MGS 10/42 also drew modest participation as investors remain cautious of duration. Earlier in the month, auction for the MGS 3/25 still showed healthy demand, albeit bids remained cautious due to its size of RM5 billion.

#### FUND MANAGER'S COMMENTS (CONTINUED)

Recent correction in the MGS yield curve has resulted in spreads to widen with the 5-year terms spread now wider than its 5-year averages while spreads against OPR has fully reflected interest rate normalisation expectations. Credit spreads widened in general except for the lower rated bonds and the 5y tenor across all rating bands. The 10y tenor widened the most during the month due to a lag in credit spreads as MGS yields lowered slightly especially for the more than 10-year maturities. Credit spreads continue to remain below its long-term averages.

#### **Outlook & Strategy**

Our cautious stance remains in view of the upcoming 15th General Elections on 19 November as well as the hawkish global central banks' sentiment. We are also mindful of the thin market liquidity as we head towards the end of the year. We continue to prefer high quality corporate bonds over government bonds for its yield pickup but prefer to participate in the primary market which is more reflective of current market conditions.

## RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

<b>Market risk</b>	<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"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <p>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.</p>
<b>Interest rate risk</b>	<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>
<b>Liquidity risk</b>	<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>
<b>Company or security specific risk</b>	<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>
<b>Credit risk</b>	<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 October 2022*

### 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.