Sun Life Malaysia Conservative Fund

May 2021

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	31.63 million units (31 May 2021)	Fund Size	RM47.04 million (31 May 2021)
Unit NAV	RM1.4871 (31 May 2021)	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: ▪ 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
88.60%	3.22%	-	8.18%	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	6.11	YTL Power International Bhd	4.65%	24/08/2023	3.33
GENM Capital Bhd	4.98%	11/07/2023	5.51	Ambank Bhd	4.98%	15/11/2028	2.74
WCT Holdings Bhd	5.32%	11/05/2022	5.41	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.62
Fortune Premiere Sdn Bhd	4.65%	21/12/2022	4.45	UniTapah Sdn Bhd	6.15%	12/12/2030	2.51
MMC Corporation Bhd	5.95%	12/11/2027	3.50	SEGI Astana Sdn Bhd	5.70%	07/01/2028	2.29

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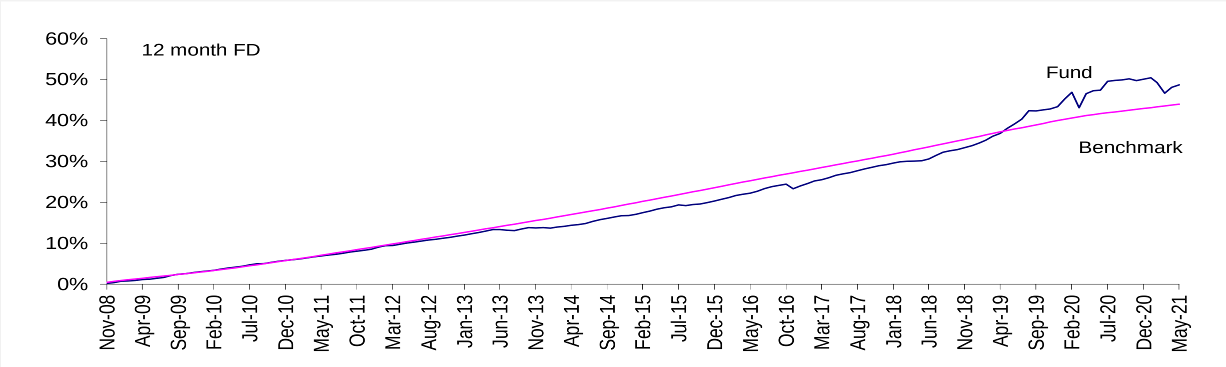
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.94	0.41	0.96	14.25	21.63	39.12	48.71
Benchmark	0.73	0.15	1.79	8.09	14.91	34.48	43.98

** 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

During the month, the overall MGS yield curve traded steeper as covid cases continue to rise which prompted the government to announce another round of movement control order (MCO 3.0). Concerns on fiscal slippage and sovereign rating pressure continue to steepen the long-end curve, which widened 6 to 11bps in May-2021. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 2.30% (-5bps), 2.71% (+5bps), 3.03% (+5bps), 3.25% (+11bps), 4.02% (+9bps), 4.20% (+6bps) and 4.40% (+8bps) respectively at the end of May.

Outlook & Strategy

While Malaysia reported decent 1Q21 GDP recovery (+2.7% QoQ or -0.5% YoY), surging covid cases has prompted the federal government to announce 2-week lockdown from 1st June. MoF has not officially guided new GDP forecast taking into consideration of the lockdown impact, but most business economists are downgrading 2021 growth to 4.4 – 5.4% (MoF original forecast 6.0 – 7.5% YoY). With the lockdown, risk of fiscal slippage and sovereign rating pressure have risen. Although the latest RM5bn fiscal injection will only translate to 0.3% of GDP, Malaysia's external debt profile is already very close to sell impose limit of 60% (official guidance at 58.5% in 2021 based on 7% GDP growth). Come June 2021, S&P is expected to review Malaysia's sovereign rating (currently at A-/Negative) and with the current development, it is hard to expect a positive outcome. While BNM kept policy rate unchanged in the May-2021 meeting, policy action may be required in the next meeting if pandemic related headwinds turned out to be stronger than initially assumed.

For MYR fixed income strategy, the new round of nationwide lockdown is clearly a growth dampener, and it may shift BNM's policy tone to slightly dovish. This may temporary steepen the short-end yield curve and provide a good trading opportunity before the next meeting in July-2021. For longer term fixed income strategy, we remain overweight on corporates for better yield pick-up. Credit supply continues to be vibrant, and we aim to move to new credits when possible. With that said, we continue to be mindful in our credit selection with a preference on names which are more resilient with stronger fundamentals, as well as better liquidity.

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

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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 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 : 31 May 2021

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