

Sun Life Malaysia Conservative Fund

June 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	31.65 million units (30 June 2021)	Fund Size	RM47.24 million (30 June 2021)
Unit NAV	RM1.4926 (30 June 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: <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
85.98%	3.19%	-	10.83%	100.00%

TOP HOLDINGS OF THE FUND

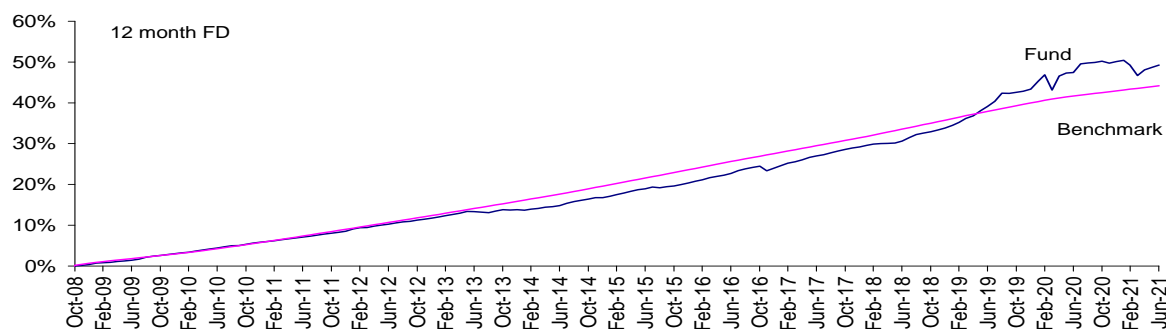
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	6.10	WCT Holdings Bhd	5.32%	11/05/2022	2.91
GENM Capital Bhd	4.98%	11/07/2023	5.51	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.62
Fortune Premiere Sdn Bhd	4.65%	21/12/2022	4.34	UniTapah Sdn Bhd	6.15%	12/12/2030	2.45
MMC Corporation Bhd	5.95%	12/11/2027	3.50	SEGI Astana Sdn Bhd	5.70%	07/01/2028	2.29
YTL Power International Bhd	4.65%	24/08/2023	3.32	Sarawak Energy Bhd	4.70%	24/11/2028	2.27

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

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.57	0.37	1.25	14.27	21.65	39.35	49.26
Benchmark	0.88	0.15	1.76	7.96	14.76	34.31	44.19

* 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 mostly lower and flatter, given the extension of the lockdown with no definite timeline and a smaller than expected fiscal injection in the PEMULIH package. S&P's reaffirmation of Malaysia's sovereign rating at A- also helped to lift the overall sentiment. The 15Y was the outperformer, with the benchmark M535 trading down -12bps to 3.89% in June. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 2.27% (-4bps), 2.68% (-3bps), 3.01% (-1bps), 3.29% (+4bps), 3.89% (-12bps), 4.20% (flat) and 4.30% (-9bps) respectively at the end of June.

Outlook & Strategy

Malaysia government introduced the National Recovery Plan outlining the necessary conditions to transition from the current lockdown to the exit phases. However, an Enhanced MCO was imposed on most parts of Selangor and Kuala Lumpur with stricter movements on affected areas. Most factories within EMCO areas would be shut except essential services. The Government also announced an additional RM150b stimulus package that includes RM10b of direct fiscal injection. MoF highlighted that Malaysia's 2021 GDP forecast would still have to be revised downwards and will be announced in mid-August. World Bank revised Malaysia's 2021 GDP growth forecast downwards to 4.5% (from 6% earlier). Headline inflation rate eased in May 2021 to +4.4% YoY (Apr-21: +4.7%) as the base-effect driven double-digit rise in transport costs was offset by easing food inflation. Core inflation only edged up marginally to +0.8% YoY. Although at OPR level of 1.75% may suggest that Malaysia rates are in negative yield territory, BNM has guided that inflation is largely transitory. On a positive note, S&P reaffirmed Malaysia's rating at A- but maintained its negative outlook to reflect the enduring pressures on Malaysia's fiscal and debt profile. The reaffirmation has helped to lift the negative sentiment on the domestic bonds in the near-term.

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 2 meetings in July- and September-21. 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.

RISKS

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

Market risk	<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">• Economic and financial market conditions• Political change• Broad investor sentiment• Movements in interest rate and inflation• Currency risks <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>
Interest rate risk	<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>
Liquidity risk	<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>
Company or security specific risk	<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>
Credit risk	<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 : *30 June 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.