Sun Life Malaysia Conservative Fund

April 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	32.27 million units (29 April 2022)	Fund Size	RM47.43 million (29 April 2022)
Unit NAV	RM1.4699 (29 April 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: ▪ 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
87.37%	7.83%	-	4.80%	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	5.65	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.42
MMC Corporation Bhd	5.95%	12/11/2027	3.44	RHB Bank Bhd	3.65%	28/04/2031	2.36
Ponsb Capital Bhd	4.96%	28/12/2028	3.34	UniTapah Sdn Bhd	6.15%	12/12/2030	2.32
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.29	GII Murabahah	4.417%	30/09/2041	2.26
YTL Power International Bhd	4.65%	24/08/2023	3.22	Kapar Energy Ventures Bhd	4.95%	03/07/2026	2.18

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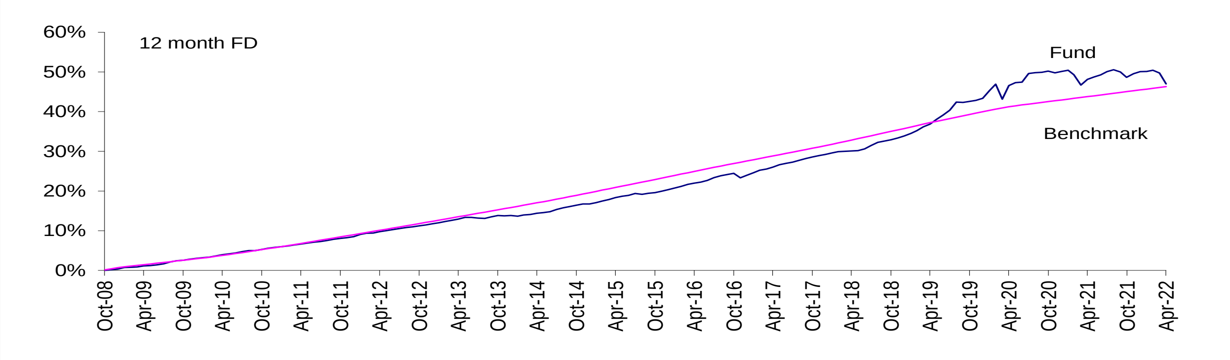
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-2.05	-1.81	-0.75	7.42	16.64	33.91	46.99
Benchmark	0.58	0.15	1.76	6.62	13.56	32.87	46.30

** 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 adjusted significantly upwards in April with the 7-year MGS being the worst performer as it inverted against the 10-year MGS amid the new MGS 4/29 benchmark which was repriced much higher during the global bond rout. The 30-year govvies have also touched the 5% mark, as we saw some dip-buying support at current level, but overall sentiment remains cautious and weak. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.64% (+44bps), 4.01% (+52bps), 4.45% (+64bps), 4.32% (+48bps), 4.84% (+57bps), 4.90% (+45bps) and 4.98% (+43bps) respectively at the end of April. Meanwhile, April was a busy month for the sovereign debt auction with four auctions taking place with a total combined size of RM19.5 billion. Coupled with the weak sentiment from the global sell-off and the larger than expected Employees Provident Fund ("EPF") withdrawals from the Special Withdrawal Facility, sovereign yields repriced significantly upwards ahead of the auctions. Nevertheless, despite the larger than expected auction size, compelling yields attracted real money and demand came in strong as the average bid-to-cover in April came in at 2.12 times. Meanwhile, credit spreads generally tightened across all rating class and especially in the belly of the curve, as sovereign yields adjusted much higher. Foreign investors turned net sellers in March, as they dialed back their risk activities and emerging markets exposure – with an outflow of RM4.03 billion (Feb: +RM3.15 billion). Total foreign holdings declined to RM259.1 billion (Feb: RM263.2 billion), as the bulk of the outflows came from MGS with their holdings declining by RM3.19 billion. Both Government Investment Issue ("GII") and corporate bonds holdings also saw a decrease, with an outflow of RM0.95 billion and RM0.35 billion, respectively with most of the selling were concentrated in the shorter part of the curve as they looked to pare down their Ringgit exposure.

Outlook & Strategy

The recent sell-off in the sovereign debt curve has resulted in govvies looking attractive with the curve now trading even above the pre-pandemic levels. Additionally, credit spreads tightened further across all rating class especially in the belly of the curve, as sovereign yields adjusted much higher during the period. Secondary credit spreads continue to trade close to their all-time low as the delay of yield movements in the corporate bond space is driving spreads to compress further. Overall, we continue maintain our focus on corporate bonds as the additional yield pickup still provides buffer against the heightened volatility in the govvies space. We remain neutral duration as external headlines are expected to continue to dampen sentiments in the domestic bond market.

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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
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