

Sun Life Malaysia Balanced Moderate Fund

August 2022



FUND OBJECTIVE

To provide a balanced exposure into equities and bonds.

FUND DETAILS

| | | | |
|----------------------|--|---------------|---|
| Launch Date | 20 October 2008 | Domicile | Malaysia |
| Currency | Ringgit Malaysia | Launch Price | RM1.0000 |
| Units in Circulation | 9.91 million units (30 August 2022) | Fund Size | RM18.65 million (30 August 2022) |
| Unit NAV | RM1.8817 (30 August 2022) | Dealing | Daily (as per Bursa Malaysia trading day) |
| Fund Manager | Principal Asset Management Bhd | Benchmark | 50% FBM100 + 50% 12 month FD |
| Taxation | 8% of annual investment income | Other Charges | Inclusive of auditor fee |
| Risk Profile | <p>Suitable for investors:</p> <ul style="list-style-type: none"> Want a balanced portfolio between equities and bonds Are risk neutral between bonds and equities | Fees | <p>The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges:</p> <ul style="list-style-type: none"> Sun Life Malaysia Growth Fund: 1.5% p.a. Sun Life Malaysia Conservative Fund: 1.0% p.a. There are no other fund management charges on this fund |

ASSET ALLOCATION

| Sun Life Malaysia Conservative Fund | Sun Life Malaysia Growth Fund |
|-------------------------------------|-------------------------------|
| 50.00% | 50.00% |

WHERE THE FUND INVESTS

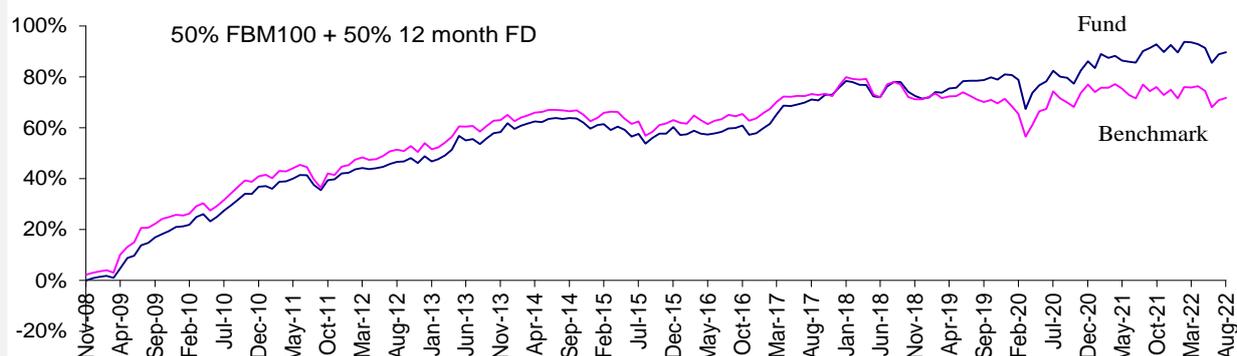
| Sun Life Malaysia Conservative Fund | Sun Life Malaysia Growth Fund | Cash | Total |
|-------------------------------------|-------------------------------|--------|---------|
| 49.82% | 50.30% | -0.12% | 100.00% |

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PERFORMANCE RECORD



| % | YTD | 1M | 1-Year | 3-Years | 5-Years | 10-Years | Since Inception |
|------------------|-------|------|--------|---------|---------|----------|-----------------|
| Fund* | -1.46 | 0.45 | -0.24 | 6.28 | 10.88 | 29.41 | 89.72 |
| Benchmark | -1.82 | 0.56 | -2.93 | 0.39 | -0.87 | 13.45 | 71.80 |

* 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

In August 2022, the Fund's performance increased by 0.45%, underperforming the benchmark by 0.11%.

FBMKLCI extended gains, up 19.8pts or 1.3% to 1,512pts in August. Sentiment was earlier lifted by a cooler US inflation print of 8.5% in July vs 9.1% in the previous month, but subsequently dented by comments from Jerome Powell at Jackson Hole that the fight against inflation was not over and the Fed will continue to hike interest rates to cool the economy further. Commodities (Energy +9%, Plantations +3%), Utilities (+4%) and Telcos (+3%) gained at the expense of Tech (-4%) and Healthcare (-10% mainly Gloves).

Malaysia's manufacturing sector moderated in August with a lower PMI reading of 50.3pts vs 50.6pts in July. Output levels scaled back for the first time in three months, with firms citing difficulty in receiving inputs amid sustained delivery delays albeit new orders were the strongest since April. However, export orders fell at the fastest pace in a year amid weak global conditions. Input price inflation eased to the softest rate since last September, leading to year-low factory gate inflation. Employment fell for the seventh consecutive month on non-placement of voluntary leavers and labor shortages. Overall sentiment strengthened to a seventh-month high, amid hopes of demand conditions would continue to improve as the pandemic was brought fully under control according to companies surveyed by S&P Global.

The MGS yield curve steepened in the month of August, with the 1- to 5-year shifting downwards by 5 to 15bps, while the 7-year to 10-year tenures adjusted upwards by 5 to 9bps, and the 15- to 30-year tenures adjusted upwards by 1 to 3bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 3.43% (-15bps), 3.70% (-5bps), 3.91% (+5bps), 3.98% (+9bps), 4.28% (+3bps), 4.41% (unchanged) and 4.62% (+1bp) respectively at the end of August. Meanwhile, across the rating curve, movements on credit spreads were mixed during the month, widening in the 3- to 5-year parts of the curve as the sovereign yields traded lower, while tightening in the other parts of the curve as investors shifted their attention across the bellies within corporate bonds.

Data released during the month showed that Malaysia's Industrial Production Index ("IPI") for the month of June accelerated to +12.1% YoY after slowing in the preceding two months, driven by surges in manufacturing and electricity. Additionally, we also saw a rebound in mining on turnaround in natural gas production. Meanwhile, Malaysia's 2Q2022 real GDP grew +8.9% YoY (consensus: +6.7%; 1Q22: +5.0%), driven mainly by stronger services and domestic demand which benefited from the full economic reopening, plus faster manufacturing and rebound in construction, which offset the reversal in agriculture and further contractions in mining due to labor shortages. Malaysia's trade balance surplus declined to RM15.49 billion in July (cons: RM17.45 billion; June: RM21.93 billion), mainly due to a decline in overall exports by 8.2% MoM to RM134.1 billion as the momentum on tech exports slowed down. Meanwhile, total imports declined by 4.5% MoM to RM118.6 billion. Data released during the month also showed headline inflation spiked to +4.4% YoY in July (cons: +4.4%; June: +3.4%), while core inflation rose to +3.4% YoY (June: +3.0%) - mainly on rising food prices and reopening related items (i.e. hotels, restaurants, recreation & culture).

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>Stock and/or 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 share 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 August 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.