Sun Life Malaysia Conservative Fund
May 2022

Sun Life

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	32.22 million units (31 May 2022)	Fund Size	RM47.62 million (31 May 2022)
Unit NAV	RM1.4780 (31 May 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
86.13%	7.96%	-	5.91%	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	5.66	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.45
Ponsb Capital Bhd	4.96%	28/12/2028	3.36	GII Murabahah	4.417%	30/09/2041	2.37
MMC Corporation Bhd	5.95%	12/11/2027	3.35	RHB Bank Bhd	3.65%	28/04/2031	2.35
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.28	UniTapah Sdn Bhd	6.15%	12/12/2030	2.32
YTL Power International Bhd	4.65%	24/08/2023	3.21	Kapar Energy Ventures Bhd	4.95%	03/07/2026	2.17

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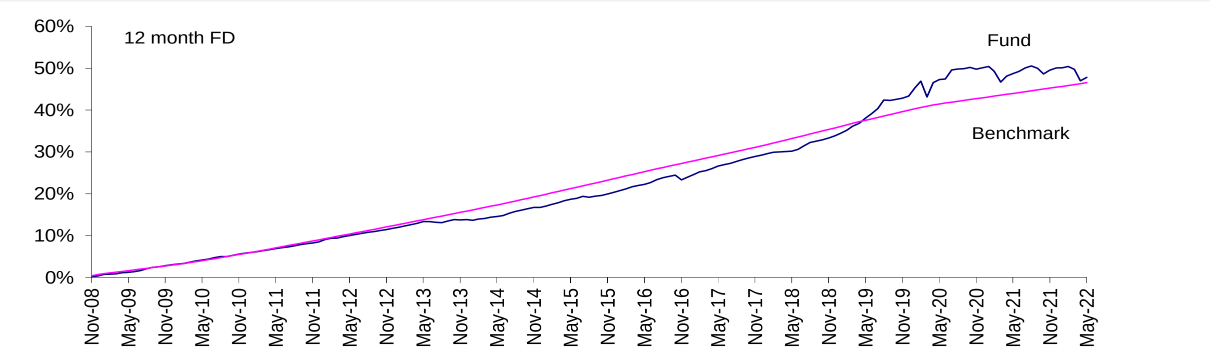
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-1.51	0.55	-0.61	7.04	16.73	34.31	47.80
Benchmark	0.75	0.17	1.79	6.53	13.46	32.75	46.55

** 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 fixed income market found some respite in May amid recent selloffs and recorded positive returns across most indices. Government bonds snapped losses during the month, fueled by the rally in US Treasuries as expectations for further aggressive interest rate normalisation by the Federal Reserve ebbed toward the end of the month as the central bank commenced its monetary policy normalisation by raising its policy rate by a half point for the first time in two decades. The MGS benchmark yield curve bull-flattened during the month, taking cue from lower US Treasury yields with intermediate tenures seen rallying the most. Sentiment turned positive as bids emerged amid oversold valuation as confidence on economic growth heightened and uncertainties were reduced on future rate hike path in the US. The 3- , 5-, 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.54% (-9bps), 3.83% (-17bps), 4.06% (-38bps), 4.19% (-13bps), 4.56% (-28bps), 4.63% (-27bps) and 4.91% (-7bps) respectively at the end of May.

Outlook & Strategy

Following the recent rally in the local government bonds we will look to reduce some position on the ultra-long bonds as market remains fragile and would switch into the belly of the curve, preferably on the corporate bonds via the primary market for better total returns. As the market is still expected to remain highly volatile in the near term, the portfolios would trade in caution and remain nimble by having tactical position in government bonds but stay overweight in corporate bonds. We remain neutral duration as external headlines are expected to continue to dampen sentiments in the domestic bond market in the near term.

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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 2022