

Sun Life Malaysia Conservative Fund

November 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 | 32.02 million units (30 November 2022) | Fund Size | RM48.02 million (30 November 2022) |
| Unit NAV | RM1.4997 (30 November 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: <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 |
|----------------|-----------------|------------------|-------|---------|
| 89.22% | 8.06% | - | 2.72% | 100.00% |

TOP HOLDINGS OF THE FUND

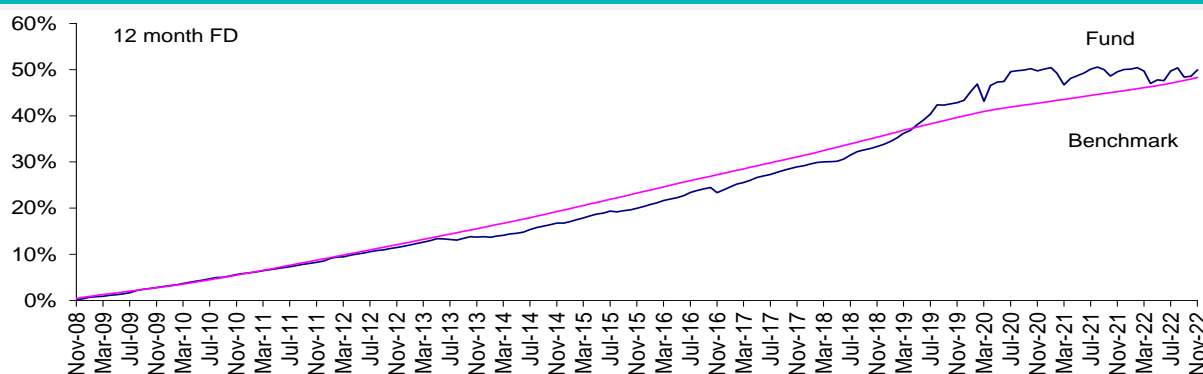
| Bond Issuer | Coupon | Maturity Date | % | Bond Issuer | Coupon | Maturity Date | % |
|--------------------------------|--------|---------------|------|-----------------------------|--------|---------------|------|
| Sarawak Energy Bhd | 5.50% | 04/07/2029 | 5.61 | YTL Power International Bhd | 4.65% | 24/08/2023 | 3.17 |
| RHB Bank Bhd | 3.65% | 28/04/2031 | 4.37 | Edra Energy Sdn Bhd | 6.71% | 05/01/2038 | 2.41 |
| Ponsb Capital Bhd | 4.96% | 28/12/2028 | 3.33 | GII Murabahah | 4.417% | 30/09/2041 | 2.39 |
| MMC Corporation Bhd | 5.95% | 12/11/2027 | 3.25 | UniTapah Sdn Bhd | 6.15% | 12/12/2030 | 2.29 |
| Projek Lebuhraya Usahasama Bhd | 4.80% | 12/01/2027 | 3.21 | Kapar Energy Ventures | 4.95% | 03/07/2026 | 2.15 |

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PERFORMANCE RECORD



| % | YTD | 1M | 1-Year | 3-Years | 5-Years | 10-Years | Since Inception |
|------------------|-------|------|--------|---------|---------|----------|-----------------|
| Fund* | -0.06 | 0.94 | 0.27 | 4.99 | 16.31 | 34.56 | 49.97 |
| Benchmark | 1.95 | 0.23 | 2.10 | 6.20 | 13.11 | 32.31 | 48.29 |

* 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

At the last Monetary Policy Committee meeting of the year in early November, Bank Negara Malaysia (“BNM”) increased the Overnight Policy Rate (“OPR”) by another 25 basis points to 2.75%. BNM states that the MPC decided to further adjust the OPR to pre-emptively manage the risk of price pressures against the backdrop of continued positive growth prospects for the local economy. They also mentioned that the MPC is not on any pre-set course, and any further decisions is dependent on evolving conditions and their implications on the overall outlook to domestic inflation and growth. In the 15th General Election, Anwar Ibrahim was sworn in as the 10th Prime Minister forming Unity Government led by Pakatan Harapan with the support of Barisan National and the parties from Borneo and other party blocs. First Parliament sitting will be on 19th December, starting with a vote of confidence to solidify the political stability. It is expected that Budget 2023 will be tabled in one or two months.

Meanwhile, Malaysia economy recorded a robust growth of 14.2% YoY in 3Q2022 (2Q2022:8.9%, consensus: 12.5%) bringing the YTD growth to 9.3% YoY. The strong growth was achieved on the back of strong domestic demand, favorable employment market and ongoing policy support. BNM opines that the economy will continue to expand albeit at a more moderate pace in 4Q2022. It is noted that GDP growth for 2022 was revised up by Ministry of Finance recently to 6.5-7.0% from 5.3-6.3% earlier. Exports continued to expand in October amid at a slower pace of 15% YoY as compared to 30.1% in September. The moderation in exports was broad based across all key export categories with the exception of crude petroleum and top three key export markets. Additionally, imports growth continued to outpace exports growth rising at 29.2% YoY in October (September: 32.8% YoY). Hence, trade surplus shrank 32% to RM18.1 billion. Malaysia’s inflation rate eased for the second consecutive month to 4.0% YoY in October (September: 4.5% YoY). The slight moderation in inflation was attributed to the slower price gains across all key categories except for food, education and recreation & culture. Core inflation, however, rose slightly from 4.0% to 4.1% in October.

FUND MANAGER'S COMMENTS (CONTINUED)

Recent rally in the government bonds has resulted in MGS yields eased by 23-70bps. The long dated MGS are currently trading below the 5 year historical averages against OPR. The front to belly of the curve, 3, 5 and 7 yields still gives a pick up of +90bps, +110bps and +122bps spreads against OPR as compared to the respective 5 year average historical mean of about +47bps, +73bps and +97bps. Credit spreads widened in general as a consequence following the movements of the government bonds, particularly on the longer end of the curve. Credit spreads continue to remain below its long-term averages.

Outlook & Strategy

We are mindful of the thin market liquidity as we head towards the end of the year. We expect market to pay attention to the ability of the cabinet to deliver key agendas and watch out for the first parliament sitting and re-tabling of the Budget 2023. We aim to enter the govies when there are any strong sell-offs so as not to miss out on any pockets of opportunity.

Overall, we continue to maintain our strategy with an overweight on the corporates with focus on the primary issuances for higher yield pick-up.

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 November 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.