Sun Life Malaysia Conservative Fund
September 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	31.99 million units (30 September 2022)	Fund Size	RM47.48 million (30 September 2022)
Unit NAV	RM1.4841 (30 September 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
86.90%	7.86%	-	5.24%	100.00%

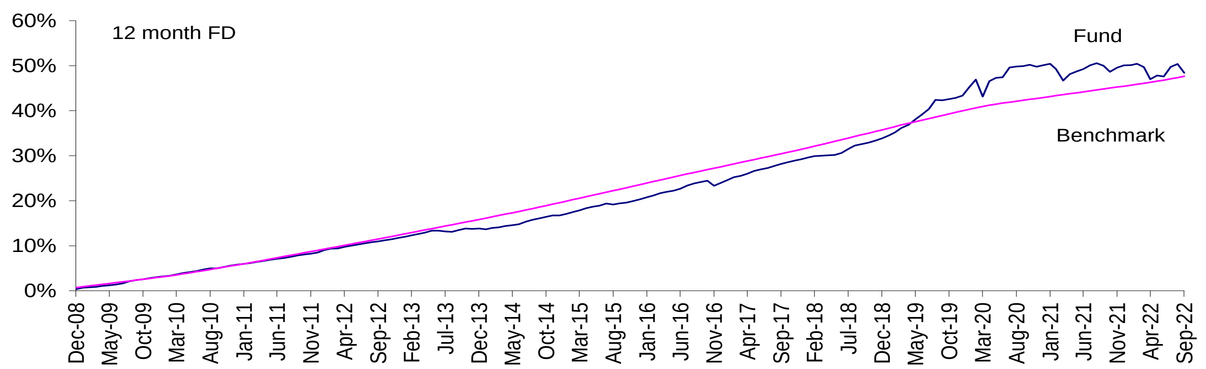
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.58	YTL Power International Bhd	4.65%	24/08/2023	3.19
RHB Bank Bhd	3.65%	28/04/2031	4.47	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.38
MMC Corporation Bhd	5.95%	12/11/2027	3.40	GII Murabahah	4.417%	30/09/2041	2.32
Ponsb Capital Bhd	4.96%	28/12/2028	3.34	UniTapah Sdn Bhd	6.15%	12/12/2030	2.28
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.22	Kapar Energy Ventures	4.95%	03/07/2026	2.16

Sun Life Malaysia Conservative Fund
September 2022

Sun Life

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-1.10	-1.31	-1.05	4.27	15.77	33.75	48.41
Benchmark	1.51	0.21	1.95	6.27	13.18	32.40	47.65

** 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

Overall performance of the Malaysian bond market was weak during the month of September as major global central banks continued to signal aggressive monetary policy tightening causing widespread correction in the global bond markets. The MGS yield curve shifted higher across the board during the month with the 3- and 10-year benchmark cheapened the most. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.87% (+44bps), 4.02% (+32bps), 4.28% (+37bps), 4.44% (+46bps), 4.67% (+40bps), 4.79% (+38bps) and 5.03% (+41bp) respectively at the end of September. Recent correction in the MGS yield curve has resulted in spreads to widen with the 5- and 10-year terms spread now wider than its 5-year averages while spreads against OPR has fully reflected interest rate normalization expectations.

During its September meeting, the Monetary Policy ("MPC") of Bank Negara Malaysia ("BNM") decided to increase the Overnight Policy Rate ("OPR") by 25 basis points to 2.50%. The ceiling and floor rates of the corridor of the OPR are correspondingly increased to 2.75% and 2.25% respectively. In its statement, BNM continues to reiterate that any adjustments to the monetary policy settings going forward would be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability.

Data released in September showed foreign investor interest returned in August with a net gain of RM 5.6 billion following outflows for two consecutive months. This was mainly due to an increase in MGS and GII purchases of RM 3.6 billion after declining by RM 4.7 billion in July. Foreign holdings of MTB and MITB increased by RM 1.9 billion in August, registering an inflow for the seventh consecutive month. As at August 2022, total foreign holdings in MGS stood at RM189.1 billion, representing approximately 36.1% of outstanding MGS (July: 35.5%).

Government bond net supply for 4Q2022 is expected to be larger with RM 24.5 billion estimated total issuance, compared to RM 3.3 billion net issuance in 3Q2022, but expect liquidity in the market to remain ample to absorb primary government bond auctions. Meanwhile, corporate bond issuance is expected to remain robust in 4Q22 on the back of robust domestic activities and refinancing. Corporate bond maturities in 2022 is estimated to be around RM90 billion which is larger than RM70-75 billion for the previous year.

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

We remain cautious of heightened market volatility in the global bond market as we expect the domestic bonds to remain vulnerable towards global market headlines. We maintain a trading view for government bonds and will look for opportunities to buy on weakness and sell on strength amid current market volatility. We continue to prefer high quality corporate bonds over government bonds for its yield pickup but prefer to participate in the primary market which is more reflective of current market conditions rather than the secondary market where spreads remain below its long-term averages. A defensive investment strategy will be deployed by maintaining a neutral duration stance ahead of other major events domestically, particularly the 2023 Budget announcement and the increased expectations of an imminent general election.

Sun Life Malaysia Conservative Fund

September 2022

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 : 30 September 2022