

# Sun Life Malaysia Balanced Moderate Fund

February 2023



## 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 (28 February 2023)	Fund Size	RM18.76million (28 February 2023)
Unit NAV	RM1.8920 (28 February 2023)	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"> <li>Want a balanced portfolio between equities and bonds</li> <li>Are risk neutral between bonds and equities</li> </ul>	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"> <li>Sun Life Malaysia Growth Fund: 1.5% p.a.</li> <li>Sun Life Malaysia Conservative Fund: 1.0% p.a.</li> <li>There are no other fund management charges on this fund</li> </ul>

## ASSET ALLOCATION

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

## WHERE THE FUND INVESTS

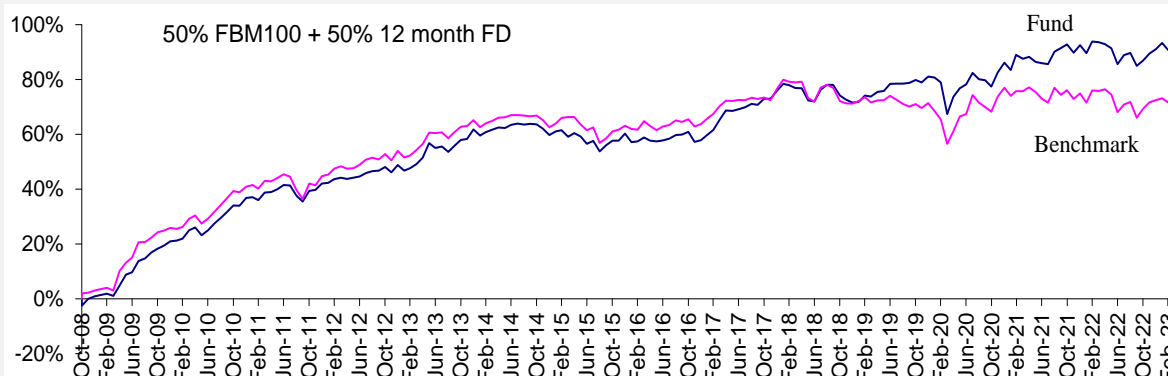
Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
50.31%	49.76%	-0.07%	100.00%

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	-0.15	-1.31	-1.59	6.63	7.20	29.19	90.76
<b>Benchmark</b>	-0.48	-0.91	-2.51	3.72	-4.23	12.71	71.63

\* 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 February 2023, the Fund's performance decreased by 1.31%, underperforming the benchmark by 0.40%.

FBMKLCI fell 30pts or 2.0%, ending the month of February at 1,456pts. Investors remained cautious leading up to Budget 2023 while renewed concerns over the US Fed staying hawkish given persistent inflation coupled with encouraging consumption and employment data in the US recently further weighed on sentiment. The rebound in the US dollar also took flows out of emerging markets. Only Construction and Property sub-sectors posted modest gains during the month while Industrial (-7%; mainly PCHEM), Technology (-6%) and Energy (-5%; DLG) were heavily beaten down.

Malaysia's PMI rose to 48.4 pts in February from 46.5pts the previous month, alongside improvements seen in many economies in Asia. According to S&P Global, there were signs of positive momentum building in the Malaysian manufacturing sector, with data on output and new orders signaled much improved situation compared to January. Operations are being helped by improving supply-chain environment with delivery times quickened further, and inflationary pressures easing. With signs that the recent soft patch may be coming to an end, firms surveyed intend to maintain purchasing activity and workforce numbers, coupled with the desire to deplete backlogs.

BNM now projects Malaysia's GDP growth to moderate from 8.7% in 2022 to 4.5% in 2023, due to the slowdown in global growth on the back of persistent pressures from inflation and tightening of global financial conditions, in addition to a high base effect. Last MPC meeting, the central bank held OPR at 2.75%, while economists are still expecting up to 50bps hike before the end of 1H23. Malaysia's CPI increased at lower rate of 3.7% in January vs 3.8% in December. Restaurant and Hotels, and Food and Non-alcoholic beverages remain key contributors to the inflation index. The reading seems on track to achieve BNM's latest target of 2.8-3.8% for 2023.

The MGS yield curve bear flattened in February with the front to mid part of the curve staying elevated as yields were seen rising by 1bp to 13bps while the ultra-long closed mixed between -1bp to +6bps. During the month, Ringgit bonds showed better resilience despite global bond selloff as local market attention was mainly on the re-tabling of Budget 2023 by the new government in anticipation of a prudent fiscal management which would lead to lower fiscal deficit. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 3.46% (+1bps), 3.70% (+13bps), 3.81% (+9bps), 3.95% (+13bps), 4.16 (+12bps), 4.19% (-1bps) and 4.44% (+6bps) respectively at the end of February.

The re-tabled Budget 2023 was released with lower deficit of RM93.9 billion versus previously tabled RM99.0 billion which will see lower gross issuance of RM175 billion in 2023 as compared to our earlier projection of RM180 billion (2022: RM172 billion). The 2023 total funding requirement of RM175 billion comprises the deficit amount of RM93.9 billion and the refinancing of MGS+MGII and SPK papers maturing in 2023 amounting to RM80.9 billion. Budget 2023 targets lower budget deficit of 5.0% of GDP in 2023 (from 5.6% of GDP in 2022) which augurs well for the long-term trajectory of reducing public debt with the commitment of the new government to further reduce its fiscal deficit to 3.2% in 2025. Meanwhile, 2023 real GDP growth is projected to grow at 4.5% YoY (down from 2022 growth of 8.7% YoY) while headline inflation is forecast to grow within 2.8% - 3.8%, revised from prior projection of 2.3% - 3.3% range. The international rating agencies, especially S&P and Moody's have reiterated that they are willing to overlook higher debt levels in the short term if this is balanced by a healthy growth outlook. As such, we expect Malaysia's credit ratings to remain stable in the near to intermediate term.

## RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

<b>Market risk</b>	<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"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <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>
<b>Interest rate risk</b>	<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>
<b>Liquidity risk</b>	<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>
<b>Company or security specific risk</b>	<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>
<b>Credit risk</b>	<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 : *28 February 2023*

### 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.