

Sun Life Malaysia Conservative Fund

January 2023



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	32.03 million units (31 January 2023)	Fund Size	RM49.10 million (31 January 2023)
Unit NAV	RM1.5328 (31 January 2023)	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	<p>Suitable for investors:</p> <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
88.49%	8.06%	-	3.45%	100.00%

TOP HOLDINGS OF THE FUND

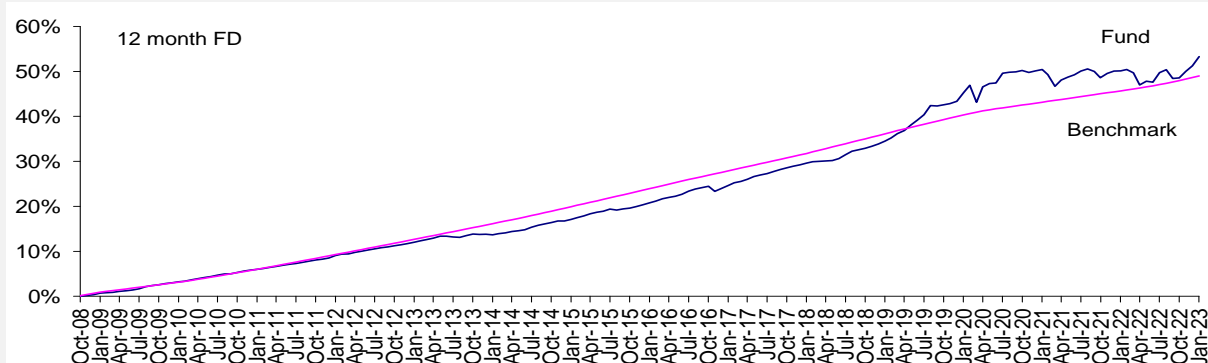
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.49	YTL Power International Bhd	4.65%	24/08/2023	3.13
RHB Bank Bhd	3.65%	28/04/2031	4.35	GII Murabahah	4.417%	30/09/2041	2.43
Ponsb Capital Bhd	4.96%	28/12/2028	3.26	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.37
MMC Corporation Bhd	5.95%	12/11/2027	3.24	UniTapah Sdn Bhd	6.15%	12/12/2030	2.25
Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	3.14	Sarawak Energy Bhd	4.70%	24/11/2028	2.11

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.35	1.35	2.10	5.51	18.27	36.82	53.28
Benchmark	0.23	0.23	2.27	6.18	13.06	32.24	48.97

* 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

The Malaysian Government Securities (“MGS”) benchmark yield curve shifted lower across the board as Bank Negara Malaysia (“BNM”) unexpectedly paused its monetary policy tightening during its first Monetary Policy Committee (“MPC”) meeting in January. BNM left the Overnight Policy Rate (“OPR”) unchanged at 2.75% and stated that the decision will allow the MPC to assess the impact of the cumulative past OPR adjustments, given the lag effects of monetary policy on the economy. Additionally, the local fixed income market sustained its positive momentum into the new year with sentiment continues to improve into January amid increased expectation of an imminent peak in global and domestic monetary policy cycle as signs of consistent moderating inflation emerges. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields closed at 3.46% (-27bps), 3.57% (-31bps), 3.72% (-29bps), 3.83% (-24bps), 4.03% (-25bps), 4.20% (-22bps) and 4.38% (-32ps) respectively at the end of January.

Headline inflation declined to 3.8% in December (November: 4.0%) due to the continued moderation in fresh food and fuel inflation, as well as lower core inflation. Core inflation edged lower but remained high at 4.1% during the month (November: 4.2%). The lower core inflation largely reflected lower inflation for repair and maintenance for personal transport, bread and bakery products, and lotteries and gambling. Meanwhile, Malaysia’s total trade grew at 8.6% in December 2022, with the amount of RM236.0 billion as compared to RM217.4 billion in the same month of preceding year. Exports increased by 6.0% to RM131.9 billion in December 2022. Imports amounted at RM104.1 billion rose by 12.0% YOY. Trade balance remained to record a surplus with a value of RM27.8 billion, despite the decrease of 11.8% from the previous year.

Data released during the month showed that total foreign holdings fell by RM 900 million in December (Nov: -RM1.0 billion), making total foreign holdings to stand at RM 246.8 billion at end of 2022 (2021: RM 256.6 billion). By debt instrument, foreign funds net bought RM 2.2 billion and RM 500 million of MGS and GII respectively but was offset by large outflow from discount instruments (-RM 3.5 billion) and corporate bonds (RM 100 million).

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

MGS term spreads are already below its short and medium averages, while the MGS spread against OPR continues to narrow further in view of slower economic outlook and further deceleration of monetary policy tightening. Spreads on corporate bonds have widened amid the lag in corporate bond yield movements compared to MGS yield movements, making corporate bond spreads look relatively attractive. As the current MGS spreads against OPR are relatively fair after the recent rally, we will gradually take profit on government bonds and shift into corporate bonds as spreads on corporate bonds are currently attractive. We will take opportunity of any correction in the market to increase duration further for portfolios that are currently underweight or neutral benchmark duration. We continue to prefer corporate bonds over government bonds but would prefer names with stronger credit fundamentals in view of potential slower growth.

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 : 31 January 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.