

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	31.86 million units (31 July 2023)	Fund Size	RM50.12 million (31 July 2023)
Unit NAV	RM1.5731 (31 July 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	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%

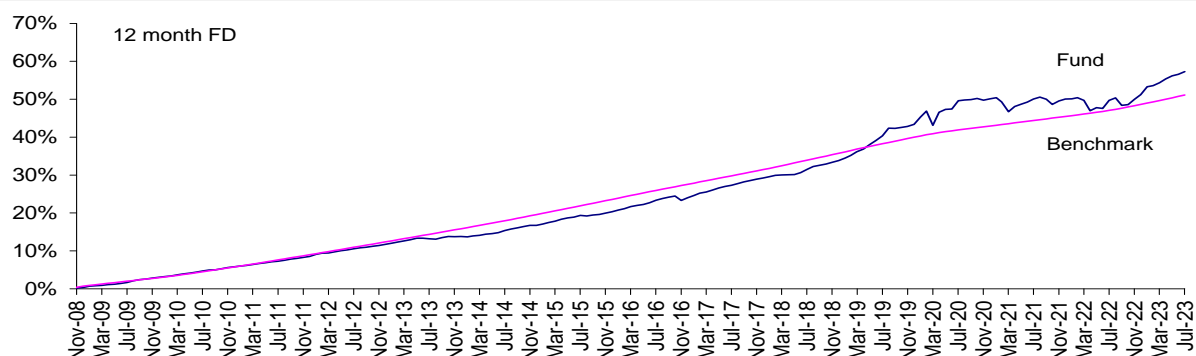
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
90.72%	6.97%	-	2.31%	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	5.39	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	3.08
Edra Energy Sdn Bhd	6.23%	05/01/2032	4.47	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.37
RHB Bank Bhd	3.65%	28/04/2031	4.29	UniTapah Sdn Bhd	6.15%	12/12/2030	2.26
Ponsb Capital Bhd	4.96%	28/12/2028	3.25	Sarawak Energy Bhd	4.70%	24/11/2028	2.08
MMC Corporation Bhd	5.95%	12/11/2027	3.20	Kapar Energy Ventures	4.95%	03/07/2026	2.05

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	4.01	0.47	5.08	5.17	19.65	38.98	57.31
Benchmark	1.68	0.25	2.76	6.51	12.85	32.13	51.13

* 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 Malaysian Government Securities (“MGS”) yield curve bear steepened in July. Sentiment towards local government bonds grew cautious and more subdued in the latter part of the month, influenced by the weakened global bond market, amplified by the extended duration, and augmented auction supply observed throughout August. The demand for the new 10-year benchmark remained strong in July, causing yields to decrease by 5 basis points (“bps”). This trend is attributed to market expectations that this bond will be added to the GBI-EM Index within the current year.

The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.50% (+1bps), 3.63% (+1bps), 3.79% (+3bps), 3.84% (-5bps), 4.04% (+2bps), 4.12% (+2bp) and 4.23% (+8bps) respectively in July 2023.

Overall, credit spreads continued to tighten across all ratings and tenors in July as the govies yields adjusted higher. Despite the volatility in government bonds and tight secondary credit spreads which are trading below historical averages, demand for credits remains healthy as evidenced by the strong bid-to-cover ratios in recent primary issuances.

Outlook & Strategy

There will be four government auctions in August as compared to the usual three auctions per month. The estimated issuance in August is expected to be around RM18 billion as against a maturity of RM10 billion.

Meanwhile, MGS terms spreads continue to remain below its short- and long-term averages. With the heavy duration supply of in MGS/MGII into August (15-year, 20-year and 30-year), we may see the curve to bear steepen ahead. At the current levels of 3.76% (at time of writing) for the 7-year MGS, its tenor spreads against OPR at the historical average of 76bps appears fair. On a total return basis, the 7-year and 20-year appear attractive as these are the steepest parts of the curve.

FUND MANAGER'S COMMENTS (CONTINUED)

We reckon the upcoming heavy duration supply in August should see repricing for the government bonds. The first auction in August being 30-year MGII may lead to some bear steepening move. This should present a good dip buying opportunity to collect some long-dated papers.

For credits, we aim to take profit for overvalued credits as the current secondary credit spreads are trading below historical averages but will continue to stay overweight in the credit segment for better yield pick-up. We will continue to participate actively in primary issuances with stable fundamentals.

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 July 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.