Sun Life Malaysia Conservative Fund
March 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	31.78 million units (31 March 2023)	Fund Size	RM49.05 million (31 March 2023)
Unit NAV	RM1.5436 (31 March 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: ▪ 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
89.47%	8.05%	-	2.48%	100.00%

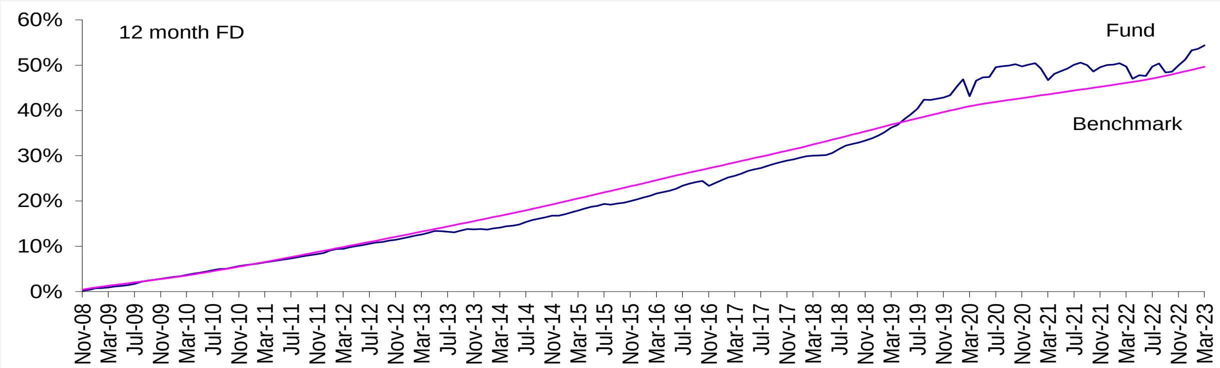
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.55	YTL Power International Bhd	4.65%	24/08/2023	3.08
RHB Bank Bhd	3.65%	28/04/2031	4.39	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.39
Ponsb Capital Bhd	4.96%	28/12/2028	3.32	GII Murabahah	4.417%	30/09/2041	2.39
MMC Corporation Bhd	5.95%	12/11/2027	3.30	UniTapah Sdn Bhd	6.15%	12/12/2030	2.28
Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.80%	12/01/2027	3.16	Sarawak Energy Bhd	4.70%	24/11/2028	2.14

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600   Client Careline 1300-88-5055   wecare@sunlifemalaysia.com   sunlifemalaysia.com

Sun Life Malaysia Conservative Fund
March 2023

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	2.06	0.50	3.11	7.85	18.72	37.09	54.36
Benchmark	0.69	0.23	2.44	6.20	12.97	32.17	49.66

** 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

Sentiments in the local bond market generally improved during the month of March as the benchmark yield curve bull steepened in line with the movements in US Treasuries following the fallouts seen in the US and European banking system. Nevertheless, the rally seen in the local markets was more muted as investors digested the slightly hawkish views in the latest BNM Annual Report. The Malaysian Government Securities ("MGS") yield curve bull steepened in the month of March, in line with the movements in US Treasuries ("UST"), though the rally in the local Ringgit curve was more tepid as they digested the slightly more hawkish views from BNM in the latest Annual Report. Short MGS traded lower by 9 to 13bps, while the bellies moved flat or up to 4bps lowers and longer MGS traded slightly higher, with the exception of the 30-year. The 3- , 5- , 7- , 10- , 15- , 20- and 30-year MGS yields closed at 3.33% (-13bps), 3.57% (-13bps), 3.81% (unch.), 3.92% (-4bps), 4.18 (+2bps), 4.23% (+4bps) and 4.42% (-3bps) respectively at the end of March.

With a lower budget deficit of RM93.9 billion versus the previously tabled RM99.0 billion, we will see lower gross issuance of RM175 billion in 2023 (vs our earlier projection of RM180 billion). We opine the revised budget to be largely bond positive as the new government is committed to fiscal consolidation of reaching fiscal deficit of 3.2% of GDP by 2025 that will see further reduction in public debt and total debt to GDP ratio. The issuance is likely to be slightly front loaded slightly with 52% targeted in 1H2023. There will be RM80.9 billion maturity in 2023 (2022: RM78.9 billion) with the bulk of the maturity amounting to RM65.4 billion (81%) between the months of March to August 2023. The supply dynamics is turning favorable, as we have past the highest expected quarterly net issuances (i.e. RM29.38 billion) in 1Q2023 and the net issuances in the 2Q2023 is expected to be the lowest (i.e. RM17.7 billion) as we have large government bond maturities during this period. There will be three government auctions in April with an estimated net issuances of about RM14.0 billion which are focused towards the mid to longer end of the curve (i.e. 10-year MGII 10/32, 5-year MGS 4/28 and 30-year GII 5/52).

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

With the recent market rally, the MGS markets look to be pricing in up to one more hike in the terminal rate (from two hikes) by BNM for 2023. Movements in credit spreads were generally mixed across rating class during the month, with the shorter tenure credits widening by 4 to 9bps, while the longer tenures tightening by 4 to 9bps. Credit spreads for the AAA and AA rated segments are trading close to both their 3- and 5-year historical averages, with the exception of the 3-year which is looking attractive currently. We remain positive on the local bond markets as we expect the tightening trend in monetary policies to reach a peak in the near term. With the recent fallout in the banking sectors in developed markets, we are cautious of the potential implications for economic growth and credit conditions, which could weigh on the external demand for our economy. While we continue to maintain our preference on the credit segment with focus on primary issuances, we will be turning more defensive in our credit selections. Despite the recent rally in government bonds, we propose to have tactical positions on benchmark government bonds and buy on weakness especially on the longer end of the curve on the back of continued institutional support.

Sun Life Malaysia Conservative Fund
March 2023

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 : 31 March 2023