

Sun Life Malaysia Conservative Fund

July 2021



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	31.62 million units (30 July 2021)	Fund Size	RM47.46 million (30 July 2021)
Unit NAV	RM1.5008 (30 July 2021)	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
88.07%	7.19%	-	4.74%	100.00%

TOP HOLDINGS OF THE FUND

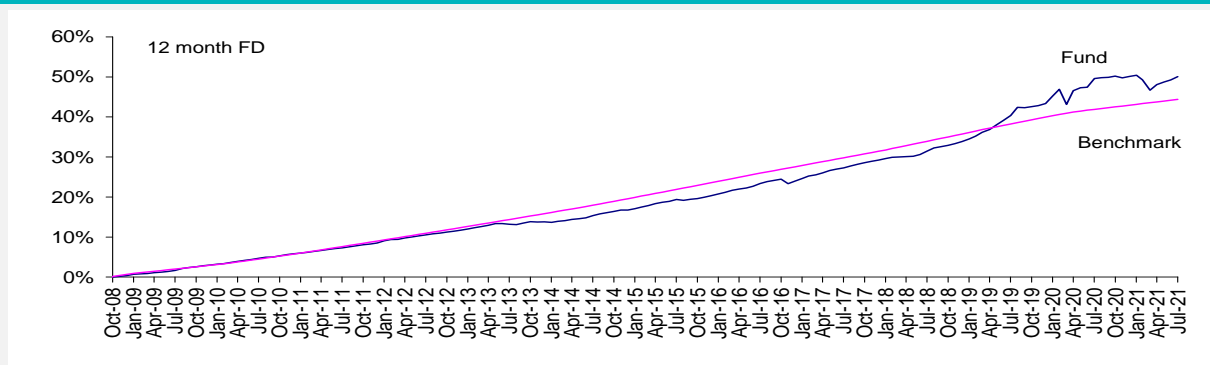
Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.99	YTL Power International Bhd	4.65%	24/08/2023	3.31
GENM Capital Bhd	4.98%	11/07/2023	5.36	Edra Energy Sdn Bhd	6.71%	05/01/2038	2.56
Fortune Premiere Sdn Bhd	4.65%	21/12/2022	4.34	UniTapah Sdn Bhd	6.15%	12/12/2030	2.47
MMC Corporation Bhd	5.95%	12/11/2027	3.55	GII Murabahah	4.417%	30/09/2041	2.42
Projek Lebuhraya Usahasama Bhd	4.80%	12/01/2027	3.43	Sarawak Energy Bhd	4.70%	24/11/2028	2.29

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PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.03	0.55	0.33	14.15	21.64	39.87	50.08
Benchmark	1.03	0.15	1.76	7.82	14.64	34.17	44.40

* 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

During the month, the MGS yield curve traded flatter with yields falling 8 to 19bps on the long-end. The local bond market started off the month seeing buying interest following renewed expectation of a dovish MPC statement as well as the falling global yields. Towards end of the month, investors seemingly preferred to stay on the sidelines while awaiting new developments from the Malaysian Parliament proceedings and the upcoming FOMC. The 3-, 5-, 7-, 10-, 15-, 20-, and 30-year MGS were traded at 2.30% (+4bps), 2.57% (-11bps), 3.06% (+4bps), 3.21% (-8bps), 3.76% (-13bps), 4.01% (-19bps) and 4.22% (-9bps) respectively at the end of July.

Outlook & Strategy

BNM maintained the OPR unchanged at 1.75% at its July MPC meeting. While BNM noted that there had been improvement in economic activities in 1Q2021 continued into April, it highlighted that the growth outlook remains subject to significant downside risks. The government expects that most states will transition to the final Phase Four of the National Recovery Plan as early as October. Inflation rate in June moderated to 3.4% YoY (May: 4.4% YoY) mainly on dissipating base effect. This brings the headline inflation to average at 2.3% in 1H2021. Meanwhile, trade performance increased by 29.3% YoY to RM188.7 billion in June 2021. Exports recorded the 10th consecutive month of expansion at 27.7% YoY (May: 47.3%) with healthy demand from the top three export destinations. Imports grew 32.1% YoY (May: 50.3% YoY) outpacing exports for a second consecutive month. Lastly, Fitch has affirmed Malaysia's sovereign rating at BBB+ with a stable outlook premised on the strong and broad-based medium growth and consistent current account surpluses with a highly diversified export base.

For MYR fixed income strategy, we expect interest rates will remain accommodative for a longer period to support growth with Covid19 infections spiking new highs. We are optimistically cautious on the sovereign market in the near-term and we believe the bond market will stay supported in this quarter. Nevertheless, we are cautious on the upcoming events, 2022 Budget and the ongoing domestic political risks. We believe the credit segment will be well supported with manageable credit supply in the coming months. With that said, we continue to be mindful in our credit selection with a preference on Issuers with strong fundamentals and near-term cashflow visibility.

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 : 30 July 2021

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.