

Sun Life Malaysia Conservative Fund

January 2025



FUND OBJECTIVE

To achieve medium to long term capital appreciation through investments primarily in Malaysian bonds.

INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at <https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/> for more information on the Investment Strategy and Approach for the target fund.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	32.14 million units (31 January 2025)	Fund Size	RM53.44 million (31 January 2025)
Unit NAV	RM1.6629 (31 January 2025)	Performance Benchmark	12 month FD
Fund Manager	Principal Asset Management Bhd	Frequency and Basis of Unit Valuation	The unit price determined daily based on the value of our holdings in the target fund, net of expenses, divided by the total number of units in that fund
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee & transaction charge
Target Market	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	Fund Management Charges	Management Fee: 1.0% p.a

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
Minimum 80% of Net Asset Value (NAV)	Balance of fund

SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
87.29%	2.76%	0.00%	9.95%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

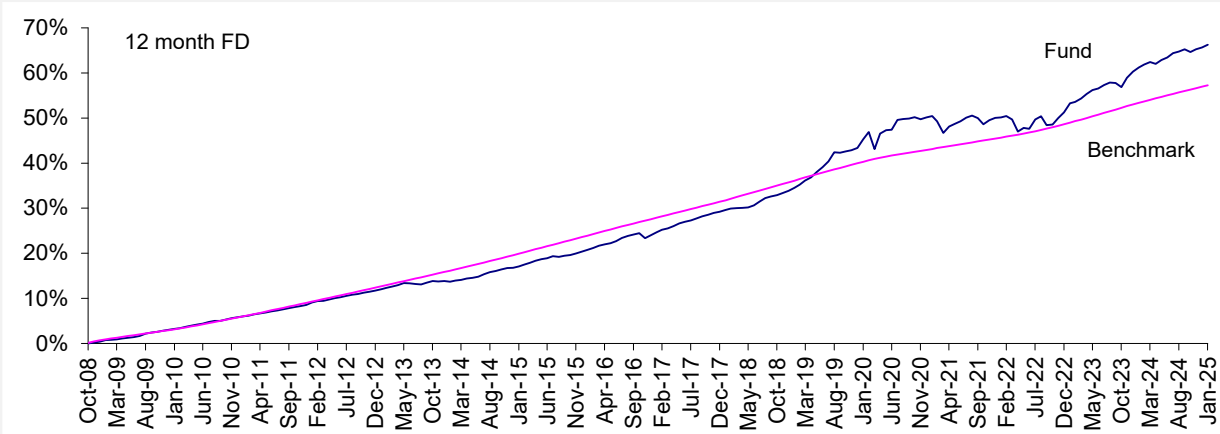
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	5.01	Projek Lebuhraya Usahasama Bhd Sukuk Plus	4.954%	12/01/2037	2.04
Ponsb Capital Bhd	4.96%	28/12/2028	5.01	Sarawak Energy Bhd	4.70%	24/11/2028	1.95
Edra Energy Sdn Bhd	6.23%	05/01/2032	4.23	Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	1.87
Prasarana Malaysia Bhd	4.54%	29/01/2044	3.97	Malaysia Government Securities	4.065%	15/06/2050	1.86
UniTapah Sdn Bhd	6.15%	12/12/2030	2.09	Malayan Banking Bhd	3.10%	08/10/2032	1.85

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	0.37	0.37	3.13	10.82	14.46	42.02	66.29
Benchmark	0.21	0.21	2.58	8.00	12.13	31.20	57.27

* Calculation of past performance is based on NAV-to-NAV

Source: Lipper

FUND MANAGER'S COMMENTS

Market Review

In the month of January, the Malaysian Government Securities ("MGS") yield curve flattened marginally with the 7-year and 10-year moving the most as it edged lower by 2basis points ("bps") for both tenures. However, in contrast, the 30-year shifted slightly higher as it closed at 4.21% at the end of the month. Meanwhile, the 5-year and 15-year MGS remained unchanged for the month. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.52% (1bps), 3.66% (unch.), 3.76% (-2bps), 3.82% (2bps), 3.98% (0bps), 4.06% (-1bp) and 4.21% (1bp), respectively in January.

Bank Negara Malaysia ("BNM") kept the overnight policy rate at 3.00% for the 10th consecutive meeting in January 2025, in line with market expectations. At the current overnight policy rate ("OPR") level, the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects.

In December, headline inflation moderated to 1.7%, which was below market consensus and November's print of 1.8% (October: 1.9%). Prices eased for furnishing, household maintenance, health, recreation and miscellaneous items while restaurant & accommodation services as well as food & beverages inched higher. For full year 2024, inflation stood at 1.8%, easing for the second straight year. Meanwhile, core inflation was lower at 1.6% in December (November: 1.8%).

Official advance estimates show Malaysia's economy grew 4.8% in Q42024, slowing from the 5.3% in Q32024 as activity in the agriculture and mining sectors slowed. Growth was driven by the services sector, which rose an annual 5.3%, and the manufacturing and construction sectors. Estimated full year economic growth is at 5.1% in 2024, picking up from 3.6% in 2023. Economic growth is supported by strong domestic demand and a recovering external sector, alongside strategic investments in areas like renewable energy and digital infrastructure.

The unemployment rate in Malaysia edged lower to 3.2% in November 2024 from 3.3% in the year prior. Meanwhile, the labor force participation rate increased to 70.5% in November from 70.1% in the same month a year earlier.

Producer prices in Malaysia climbed 0.5% YoY in December 2024 (November: 0.4%), following a 2.4% fall in the previous month. This marked the first increase in producer prices since last August and the fastest pace in five months, driven by higher prices in agriculture, forestry, and fishing (23.8% vs. 21.8% in November), as well as water supply (6.7% vs. 6.6%).

The S&P Global Malaysia Manufacturing PMI was at 48.7 in January 2025, little changed from 48.6 in December. It was the eighth straight month of decline in factory activity, with output falling for eight months in a row and marking the steepest fall in over a year. New orders shrank for the seventh month, with its rate of decrease broadly similar to that in December. Overseas demand fell for the second month and at the fastest pace since October 2023.

Exports from Malaysia surged by 16.9% YoY to a 27-month high of MYR 138.5 billion in December 2024. It was the third straight month of increase and the fastest pace since September 2022, boosted by strengthening foreign demand as the year-end approached. By sector, manufacturing sales surged 18.5%, lifted by E&E products (27.8%), machinery and equipment (16.3%), and petroleum products (8.4%). Imports to Malaysia rose by 11.9% YoY to a 4-month high of MYR 119.34 billion in December 2024, picking up from a 1.6% growth in November and beating market consensus of 3.3%.

Moody's affirmed Malaysia's sovereign credit rating at A3/Stable on 25 January stating that medium-term growth prospects remain buoyant. It cited structural credit strengths complemented by deep domestic financial markets and recognizes the government's efforts for structural and institutional reforms.

FUND MANAGER'S COMMENT (CONTINUED)

Outlook & Strategy

In January, official advance estimates show Q42024 growth of 4.8% (Q3 2024: 5.3%) with full year growth estimates at 5.1%. This falls within the official target of 4.8%-5.3%. The momentum is expected to be sustained in 2025 driven largely by the same catalysts in 2024 as well as policy measures such as minimum wage hikes and civil servant salary adjustments.

Meanwhile, budget 2025 targets 4.5%-5.5% growth while focusing on fiscal consolidation, subsidy rationalization, and efficient resource management to reduce the fiscal deficit from 4.3% in 2024 to 3.8% in 2025. Enhancement of fiscal management will be via broadening of revenue measures, optimal use of resources and more subsidy rationalization, particularly RON95. It is expected to use the same principle of a two-tier pricing mechanism and to start by mid-2025.

The central bank expects headline and core inflation, which averaged 1.8% in 2024, to remain manageable going into 2025, amid easing global cost conditions and the absence of excessive domestic demand pressures. The overall impact of the domestic policy reforms on inflation is expected to be contained, while upside risks would depend on the extent of spillover of domestic policy measures, as well as global commodity prices and financial market developments.

Upcoming economic data releases in February include December's Industrial Production (7 Feb), December's unemployment rate (10 Feb), GDP Growth Rate QoQ and Final 24 (14 Feb), Trade data (20 Feb) and January's inflation rate (21 Feb).

In January, the MGS curve flattened marginally with movements being mixed throughout the month amidst continued volatility seen. Generally, MGS term spreads have also widened slightly at the end of the month. The 15-year MGS vs MGII spread currently stands out following the recent auction held and smaller supply for the MGII stock.

Credit spreads are expected to remain compressed as OPR is expected to stay unchanged for most of 2025, which would limit movements in benchmark MGS. The primary issuance of corporate bonds and sukuks is expected to remain concentrated on higher-rated securities, while lower-rated bonds with solid credit fundamentals and resilient financial performance are likely to attract strong demand.

Local market volatility is expected to remain on the back of uncertainties seen in the global market amidst President Trump flip flop policies. Propose to maintain active portfolio management in anticipation of the rising volatility to ensure better total return on the long run in view of current tight credit spreads and flat yield curve. Preference on corporate credit bonds to continue versus government bonds with a bias on primary new credit issuances due to the yield pick-up and better total returns. Active trading is required for tactical positions held in government bonds. We maintain our overweight duration bias as the current market conditions still remains favorable for an overweight duration stance.

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 January 2025

Disclaimer:

This is strictly the performance of the investment fund, and not the returns earned on the actual premiums paid of the investment-linked product. Past performance of the fund is not an indication of its future performance. 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.