

Sun Life Malaysia Conservative Fund

July 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	20.56 million units (31 July 2025)	Fund Size	RM35.24 million (31 July 2025)
Unit NAV	RM1.7137 (31 July 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
92.49%	4.34%	0.00%	3.17%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

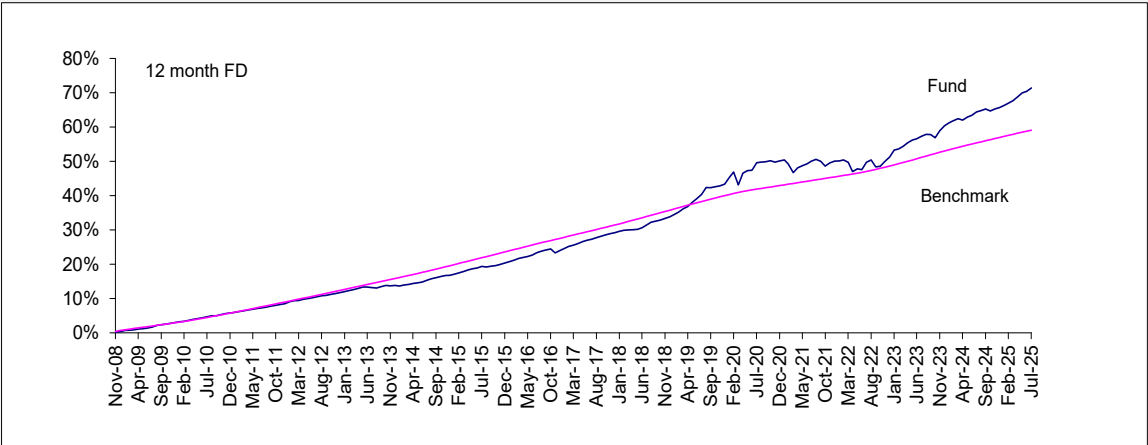
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	7.64	Dialog Group Bhd	4.53%	28/01/2032	2.08
Sarawak Energy Bhd	4.70%	24/11/2028	2.97	Quantum Solar Park Green SRI Sukuk	5.56%	06/10/2027	2.01
Malaysian Government Securities	4.065%	15/06/2050	2.92	UEM Sunrise Bhd	4.08%	04/03/2032	1.98
Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.88	Tenaga Nasional Bhd	3.55%	10/08/2040	1.97
OSK Rated Bond Sdn Bhd	4.12%	02/03/2035	2.50	Public Bank Bhd	3.73%	15/07/2032	1.63

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.43	0.56	4.23	14.47	14.57	43.56	71.37
Benchmark	1.36	0.17	2.40	8.17	12.11	30.50	59.08

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

Source: Lipper

FUND MANAGER'S COMMENTS

Market Review

The Malaysian Government Securities ("MGS") yield curve shifted lower by 3 to 16bps across the curve in July with the 10-year MGS 7/35 and 30-year MGS 7/55 closed lower at 3.38% and 3.91% respectively following the news of its inclusion into the J.P. Morgan Government Bond Index - Emerging Markets ("GBI-EM") Index by July month end. Overall, interest in the government bonds was generally firm, amidst Bank Negara Malaysia ("BNM") reducing the overnight policy rate ("OPR") by 25bps in a pre-emptive move to shore up growth, in the face of a prolonged period of uncertainty on global growth prospects as a result of the protracted tariff situation. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.08% (-7bps), 3.17% (-3bps), 3.35% (-6bps), 3.38% (-10bps), 3.65% (-5bps), 3.77% (-3bps) and 3.91% (-16bps), respectively in July. Meanwhile, the Malaysian Government Issue ("MGII") yield curve shifted lower by 2bps to 9bps across the curve. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.11% (-6bps), 3.19% (-7bps), 3.35% (-6bps), 3.42% (-9bps), 3.64% (-bps), 3.74% (-2bps), and 3.97% (-7bps) respectively in July.

Liquidity in the bond market remains healthy given the strong bid-to-cover of above 2x for the July auctions. Domestic supply-demand dynamics are favorable with huge maturities clustered between August to October totaling RM64.75 billion. This will provide support for the bond market as investors will look to roll over their stocks while climbing up the yield curve for better yield. Three upcoming issuances in August are more weighted on the longer end of the curve with 2 auction supply for the 20y bucket, i.e. the reopening of the 20-year MGS 5/44 and 20-year GII 5/45. During the month, credit spreads movement were generally mixed. For GG segment, credit spreads were flat to wider. For other rating segments, credit spreads were also generally flat to modestly wider, save for the 5-year tenor which narrowed by 2bps to 4bps.

MGS yields fell the most for 10-year benchmark (-10bps MoM) and 30y (-16bps MoM) buckets with its inclusion into GBI-EM Index at the end of July. At current levels, some parts of the GII offer better pick up with 2 to 5bps above its MGS counterpart. Demand for corporate bonds remains solid as reflected in the strong bids cover ratios in the recent offerings. Overall, we are monitoring curve re-pricing risks as potential new issuance pipeline appears to be robust in the near term.

BNM reduced the OPR by 0.25% to 2.75% at its July Monetary Policy Committee ("MPC") meeting, the first rate cut since July 2020. The central bank states that the cut is a pre-emptive measure to maintain a steady economic growth path amid moderate inflation prospects. While BNM cites that growth is expected to be supported by resilient domestic demand and expansion in investment activity, the central bank states that the balance of risks to growth outlook is tilted to the downside stemming from slower global trade, weaker sentiment as well as lower than expected commodity production.

BNM revised the 2025 growth forecast to 4%-4.8% from the earlier forecast of 4.5%-5.5%. The revised GDP accounts for various tariff scenarios including prolonged elevated tariffs and more favorable trade deals. Growth is expected to remain strong, supported by resilient domestic demand, supporting E&E exports and robust tourism activities. Meanwhile, headline inflation is expected to average between 1.5%-2.3% in 2025, reflecting moderate cost and demand outlook.

Advance estimate of 2Q 2025 GDP growth accelerated to 4.5% YoY as against consensus estimates of 4.2%. This was largely driven by stronger growth in services, construction and agriculture which offset the slowdown in manufacturing.

Malaysia's CPI rose at a slower pace of 1.1% YoY in June (May: 1.2%), the lowest since February 2021 with transportation, recreation and restaurants costs slowing. Meanwhile, core inflation remained stable for the second month at 1.8% YoY in June. The unemployment rate remained unchanged at 3.0% in May 2025 (April: 3.0%) as a sustained hiring trend in the services continues to support the labour market. The labour force participation rate remained at a record high of 70.8% for the second consecutive month. The total labour force increased by 0.23% MoM to 17.38 million.

Exports continued its downward trend for a second month at -3.5% YoY in June (May: -1.2%) reflecting the unwinding of tariff front-loading. The fall in exports to Singapore and the US continued while exports to the top 10 market destinations were mixed on a monthly basis. Imports in June moderated sharply by 1.2% YoY (May: 6.6%) on softer import growth for capital goods. Overall, trade surplus widened in June to RM8.6 billion (May: RM0.77 billion).

FUND MANAGER'S COMMENT (CONTINUED)

During the month, Prime Minister Anwar unveiled a series of measures to address cost of living pressure. The measures are estimated to be around RM2.8 billion, comprising RM2 billion for SARA (one off cash aid of RM100 to every Malaysians above aged 18), RM300 million for expansion of Jualan Rahman MADANI (offer essential goods at lower prices), RM500 million in compensation to toll concessionaires for toll rate freeze and lower RON95 petrol price for retargeted groups at RM1.99 per litre (from current RM2.05 per litre). These measures are expected to be sufficiently funded by additional revenue generated from the expanded SST (RM5billion) and the implementation of phase 3 of e-invoice. The fiscal budget deficit target of 3.8% for 2025 is expected to be intact.

Outlook & Strategy

In the 13th Malaysia Plan ("13MP"), the government has set broad economic targets with the real GDP expected to grow by 4.5%-5.5% p.a. in the next five years on the back of stronger growth in the manufacturing, agriculture and mining sectors. Inflation is expected to be benign at 2.0%-3.0%. Fiscal consolidation remains in focus with fiscal deficit target of under 3.0% of GDP by 2030 (narrowing from 12MP's target of 3.0%-3.5% of GDP), alongside the government's debt to be maintained below 60% of GDP, supported by gradual implementation of subsidy rationalization measures and broader tax revenue measures.

Malaysia landed a trade deal with the US, lowering tariff rates to 19% from 25%, broadly in line with levels as other ASEAN peers. Malaysian pharmaceutical products and semiconductors will be exempted from US tariffs. As part of the tariff concession, Malaysia will exempt sales tax on selected US agricultural products and reduce tariffs on 98.4% of US products. Malaysia will also commit USD240 billion worth of procurement and investment to narrow the bilateral trade deficits including the purchase of US LNG and coal.

The government's fiscal deficit target of 3.8% for 2025 remains intact and achievable. The recent fiscal measures announced by PM to provide cost of living relief to Malaysians are likely to be sufficiently funded by the additional revenue generated by the expanded SST that took effect on 1st July.

After the recent rally on the back of OPR cut, the local bond market has stabilized with profit takers emerging looking to lock in gains in view of a resilient growth target and some stability on the trade tariff front. We look to take profit of the government bonds while continuing to have tactical positions in anticipation of the upcoming maturities. With widening credit spreads, our preference remains on corporate segment for better total return. We continue to take profit on the overvalued credits and rotate to primary issuances.

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 July 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.