

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	31.46 million units (28 June 2019)	Fund Size	RM43.76 million (28 June 2019)
Unit NAV	RM1.3911 (28 June 2019)	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%

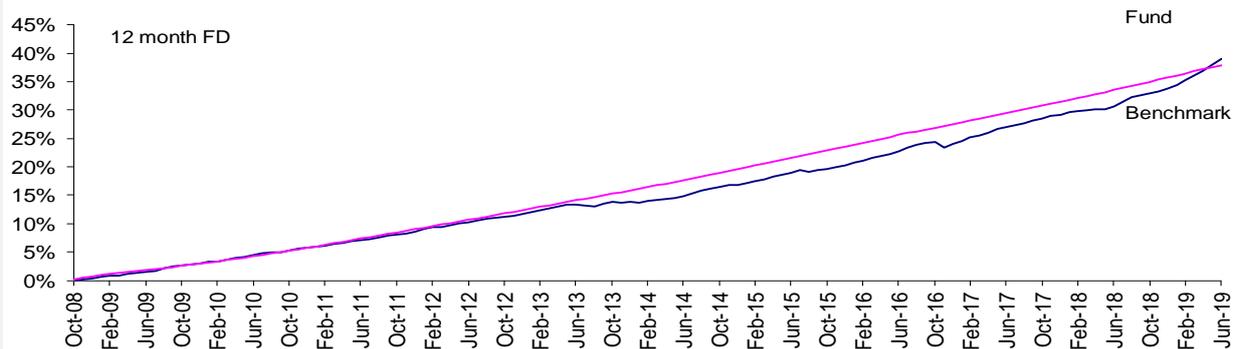
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
92.32%	3.56%	-	4.12%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
IJM Corp Bhd IMTN	5.05%	18/08/2028	12.12	Sabah Development Bank	5.30%	27/04/2023	5.94
MMC Corporation Berhad	5.95%	12/11/2027	12.11	WCT Holdings Berhad	5.32%	11/05/2022	5.80
Fortune Premiere Sdn Bhd IMTN	4.65%	21/12/2022	11.63	Fortune Premiere Sdn Bhd IMTN	4.85%	07/09/2023	4.76
Sarawak Energy Bhd	5.50%	04/07/2029	6.50	GII Murabahah	4.07%	30/09/2026	3.56
GENM Capital Bhd MTN 1826D	4.98%	11/07/2023	6.06	Exsim Capital Resources Bhd IMTN	5.00%	28/01/2022	3.53

PERFORMANCE RECORD



%	YTD	1M	3M	6M	1-Year	3-Year	Since Inception
Fund*	3.93	0.75	2.17	3.93	6.50	13.37	39.11
Benchmark	1.59	0.25	0.77	1.59	3.26	9.76	37.91

* 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 moved lower across mostly all tenures (between 11-22bps). Overall, better buying was seen from the continuation of dovish sentiment both from global (dovish Fed, trade wars) and local factors (less supply pipeline + domestic demand). The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields traded lower to close at 3.32% (-11bps), 3.43% (-15bps), 3.55% (-14bps), 3.63% (-15bps), 3.94% (-18bps), 4.08% (-22bps) and 4.36% (-21bps) respectively at the end of June.

Portfolio Strategy

On Fixed Income strategy, we continue to expect 3.00% OPR will remain for the rest of 2019. The long-end government bond curve has fully priced in another 25bps cut which means further substantial upside is probably very limited. However, we do not think market will correct immediately given the supply profile in 2H19 is very benign. The return of foreign funds is a double-edged sword as it will likely to push the local yield curve lower but expose domestic investors to any global shock. Regardless of the OPR outcome, the Fund will still stay overweight duration against benchmark but cautious against curve positioning as the basis for long-end curve flattening is solely based on technical factors. We will also overweight credit against government bond as credit spreads have widened after the flattening of risk-free curve.

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

Globally, the G20/Trump-Xi meeting was broadly in line with expectations - Presidents Trump and Xi agreed to restart talks and postpone further tariffs. However, details of any agreements or further talks were sparse. Overall, the outcome therefore seems modestly benign but with scope for renewed escalation. US interest rate market has priced in ~70bps of rate cuts in 2019 as the data have slowed, risks to global growth are looming, and the Fed's June dot plot revealed that almost half of the FOMC participants now see 2 cuts as the most likely outcome for 2019. With some degree of cut in July now being broadly consensus, the question remains whether the initial Fed action will be a 25bp or 50bp cut. Domestically, headline inflation remained stable at 0.2% yoy in May, lower than consensus 0.3%, as the government's price control scheme contained food inflation during the Ramadan month. Benign price pressure and accommodating external financial conditions are supportive of a looser monetary policy to support economic growth. Meanwhile, the industrial production index (IPI) extended its run in Apr (+4.0% yoy vs. +3.1% yoy in Mar), defying market expectations of a slower expansion. There will be a BNM monetary policy meeting this July 9th which we don't expect to see any policy rate action. However, we will be closely monitoring the statement for further sign of weakness in the domestic market.

Source : *Principal Asset Management Bhd*

Date : *28 June 2019*

Disclaimer:

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