

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	30.51 million units (31 December 2018)	Fund Size	RM40.84 million (31 December 2018)
Unit NAV	RM 1.3385 (31 December 2018)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	CIMB-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 		

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
80% - 98%	Up to 20%

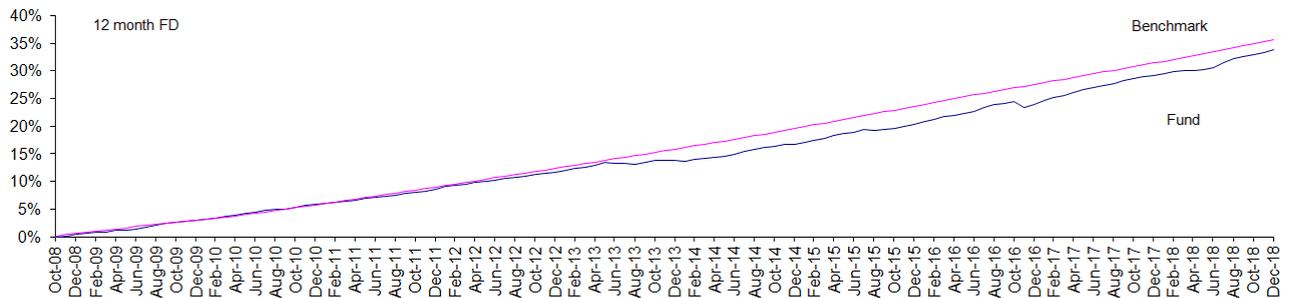
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
83.82%	6.17%	-	10.01%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
MMC Corporation Berhad	5.95%	12/11/2027	12.68%	WCT Holdings Berhad	5.32%	11/05/2022	6.24%
Mumtaz Rakyat Sukuk Berhad	4.95%	18/06/2021	12.38%	Sabah Development Bank MTN 1826D	5.30%	27/04/2023 – Tranche 17	6.22%
Fortune Premiere Sdn Bhd IMTN	4.65%	21/12/2022	12.27%	Jimah East Power Sdn Bhd	5.77%	04/12/2029	5.33%
Sarawak Energy Bhd	5.50%	04/07/2029	6.69%	Fortune Premiere Sdn Bhd IMTN	4.85%	07/09/2023	5.00%
GENM Capital Bhd	4.98%	11/07/2023	6.33%	GII Murabahah	4.07%	30/09/2026	3.68%

PERFORMANCE RECORD



%	YTD	1M	3M	6M	1-Year	3-Year	Since Inception
Fund*	3.59	0.37	0.96	2.47	3.59	11.22	33.85
Benchmark	3.28	0.27	0.81	1.64	3.28	9.84	35.74

* 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, Malaysia Government Securities ("MGS") yield curve bull flattened with yields dropping the most in the 20-year segment. The 3-, 5-, 10-, 15-, 20- and 30-year MGS yields traded lower at 3.62% (-7bps), 3.84% (-8bps), 4.10% (-6bps), 4.47% (-9 bps), 4.66% (-12bps) and 4.87% (-5bps) respectively at end of December. Year-to-date yield curve bear flattened following the Overnight Policy Rate ("OPR") hike in January 2018 and also foreign selling which were the major holders of short-dated bonds.

On the local economy front, Malaysia's exports rose a strong 17.7% YoY in October-18 (Sep-18: +6.5%) and above consensus estimate of 5.8%. Meanwhile, imports rebounded to grow 11.4% YoY after it declined 2.8% prior month. Consequently, trade surplus widened to RM16.3bn. However, supply chain spillovers cause by trade war and lower commodity prices will pose downside risks to export growth. Malaysia's November-18 CPI rose 0.2% YoY missed expectation of 0.4% increase and lower than 0.6% recorded in October-18. The lower increase in November-18 inflation was mainly driven by gains in food and beverages (+1.1%) and housing costs (+2.0%) but offset by contraction in transport and communication which fell 2.3% and 1.3% respectively. Malaysia's growth has been decelerating since 4Q17, reflecting supply side disruptions and weaker public spending exacerbated by policy shifts since the change in government. BNM forecast growth of 4.9% in 2019 was projected taking into consideration the initial US-China tariffs announced. However, BNM has also estimated that a full scale trade war could result in real GDP growth falling below 4.0%. A slower growth will risk Government missing the fiscal deficit target of 3.4% of GDP for 2019, if it decided on expansionary mode to support growth.

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy:

On Fixed Income strategy, total gross government bonds issuance in 2019 is expected to be around RM120.0bn. The MGS yield curve bull flattened in December causing the long-end MGS to tighten versus the 3-year MGS. Based on current levels, the long-dated MGS yields appear relatively rich as they are all dealing below the long-term average spreads. However in 2018, long duration bonds have been well supported despite the OPR hike in January 2018. The credit spreads have widened in December-18 after MGS yields fell. Overall the spreads are trading below the long term averages. We are looking to take profit on long-end government bonds as yields are relatively rich and switch to AA-rated credit with strong fundamentals. We will still long credit at fair spread, particularly at the belly of the yield curve.

*Source : CIMB-Principal Asset Management Bhd
Date : 31 December 2018*

Disclaimer:

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