

Sun Life Malaysia Conservative Fund

September 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	21.84 million units (30 September 2025)	Fund Size	RM37.56 million (30 September 2025)
Unit NAV	RM1.7195 (30 September 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
92.16%	4.08%	0.00%	3.76%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

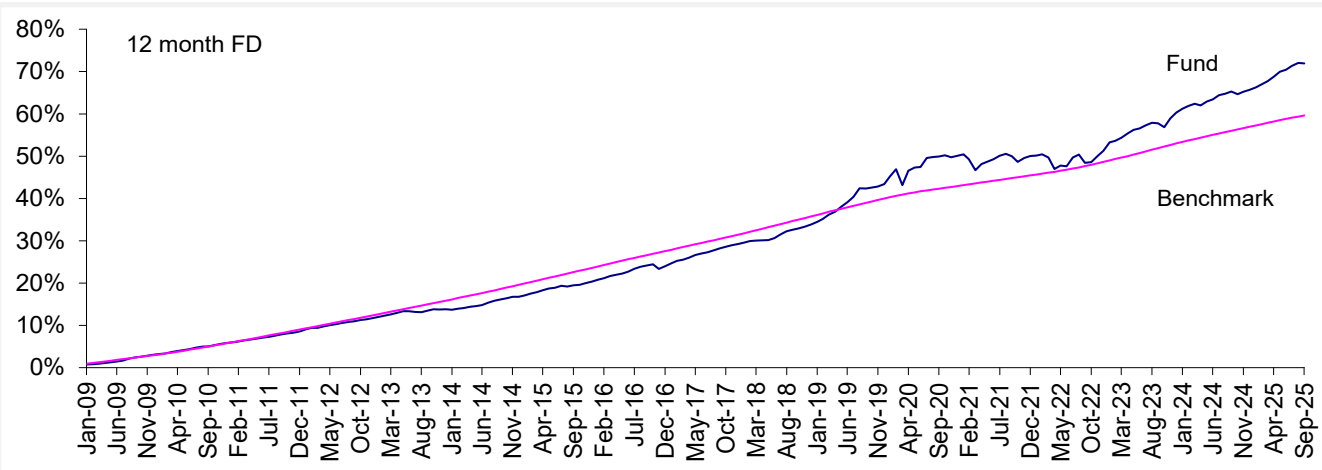
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	7.20	Dialog Group Bhd	4.53%	28/01/2032	1.96
Sarawak Energy Bhd	4.70%	24/11/2028	2.80	Quantum Solar Park Green SRI Sukuk	5.56%	06/10/2027	1.90
Malaysian Government Securities	4.065%	15/06/2050	2.76	Point Zone M Sdn Bhd	4.69%	13/03/2030	1.87
Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.72	UEM Sunrise Bhd	4.08%	04/03/2032	1.83
OSK Rated Bond Sdn Bhd	4.12%	02/03/2035	2.30	Tenaga Nasional Bhd	3.55%	10/08/2040	1.82

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.78	-0.05	4.05	15.86	14.70	43.95	71.95
Benchmark	1.70	0.16	2.31	8.11	12.17	30.23	59.62

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

Source: Lipper

FUND MANAGER'S COMMENTS

Market Review

The MGS yield curve bear flattened as yields climbed in September, led by 14bps increase at the front end of the curve while the 10-year and 30-year adjusted higher by 7bps and 4bps respectively, on profit taking activity as we approach the final quarter of the year. Weak auction for government bonds with strong supply of corporate issuances also pushed yields higher. Meanwhile QoQ, yields were generally higher save for 3-year which was marginally lower, as well as 10-year and 30-year which moved down -1bps and -15bps respectively. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.15% (+14bps), 3.25% (+14bps), 3.43% (+12bps), 3.47% (+7bps), 3.70% (+8bps), 3.82% (+7bps) and 3.92% (+4bps), respectively in September. Meanwhile, credit spreads generally narrowed, with the short end experiencing the most significant compression as 3-year to 5-year tenures narrowed between -7bps to -14bps across all rating bands. Meanwhile, there was slight widening of spreads for 10-year AAAs (+3bps) and AA2 (+2bps), as well as 15-year GGs (+3bps).

1H2025 GDP grew 4.4%, driven by household consumption, investment and the construction sector, demonstrating Malaysia's resilience amidst global uncertainties, supported by robust domestic demand and structural reforms. This was within revised official projection of 4.0%-4.8% in 2025, though projections have been revised down from earlier forecast of 4.5%-5.5% due to tariffs and trade uncertainties.

In August, headline inflation edged up to 1.3% YoY (July: 1.2%) fueled by growth in restaurants & hotels, food & beverages, insurance & financial services, as well as personal care. However, it remained below BNM's earlier guidance of between 1.5%-2.3% in 2025 with limited inflationary pressures from global commodity prices. Meanwhile, core inflation also inched higher to 2.3% yoy.

The targeted RON95 petrol subsidy was rolled out for all eligible Malaysians on 30 September 2025, providing a quota of 300 liters of petrol at lower subsidized price of RM1.99 per liter vs the earlier price of RM2.05 per liter, with exception for certain eligible drivers/commercial vehicles. The targeted subsidy rollout is expected to save the Government between RM2.5bil to RM4bil per annum, (equivalent to 0.1%-0.2% of GDP), while being disinflationary in nature given the generous quota provided.

Exports grew +1.9% yoy in Aug 2025 to RM131.6bil, though growth was slower (July 2025: +6.5% yoy) as manufacturing goods moderated (Aug 2025: +1.7% vs July 2025: +8.7%) while mining fell (-2.6% yoy), partially offset by a rebound in agricultural exports (Aug 2025: +4.5% yoy; July 2025: -9.8% yoy). Meanwhile, exports to the US declined for the first time since Dec 2023 following finalization of the 19% reciprocal tariff. Meanwhile, imports contracted -5.9% yoy to RM115.5bil in Aug 2025 due to weaker consumption goods (-8.9% yoy) following upward revision in SST (effective July 2025) and weaker intermediate goods (-16.8% yoy) amidst headwinds in manufacturing exports, though sustained growth in capital goods signal some resilience in investment demand. With growing exports and declining imports, trade surplus surged to RM16.1bil in August 2025, the largest since March 2025. YTD trade surplus: RM86.1bil.

BNM held OPR unchanged at 2.75% in its 4 Sep 2025 MPC meeting, viewing the rate appropriate to balance growth with price stability. The statement also adopted a more constructive tone, noting that conclusion of tariff negotiations helped reduce global uncertainty. BNM is expected to adopt a data dependent approach (trade performance and GDP growth figures) going forward.

S&P affirmed Malaysia's sovereign credit rating at A-/Stable on 19 September underpinned by consistently strong economic growth and high degree of monetary policy flexibility. Meanwhile, external position is balanced, characterized by moderate current account surpluses and a large export base.

FUND MANAGER'S COMMENT (CONTINUED)

Outlook & Strategy

Budget 2026 to be tabled on 10 October 2025 will be the first budget to be implemented under the 13th Malaysia plan and will focus on delivering Malaysia's longer term economic reform agenda, while maintaining momentum of growth and safeguard resilience of the economy. The budget is anticipated to align with the government's commitment towards fiscal consolidation and will need to balance social support with structural reforms while signaling financial discipline to investors, aimed at enhancing long term growth potential.

Muted inflationary pressures with 8M2025 average inflation rate of +1.4%. BNM projects headline inflation to remain moderate, averaging between 1.5% and 2.3% in 2025 amid moderate demand and contained global commodity price pressures. Recent policies such as the expansion of SST, minimum wage increase, water tariffs hikes, targeted fuel subsidy and foreign worker EPF contribution are expected to have manageable impact on inflation.

1H2025 GDP growth of 4.4% was in line with revised official projection of 4.0% - 4.8%. However, external headwinds may slow economic growth as front-loaded US demand fades, with slower export growth potentially a sign of weakness, though expected to remain supported by resilient domestic demand. Downside risk remains from slower trade, weaker sentiment and lower than expected commodity production.

Data scheduled to be released in the month of October include September foreign reserves data (7 Oct), August industrial production, retail sales and unemployment rate (10 Oct), September trade data (17 Oct), inflation rate (22 Oct) and PPI (29 Oct).

The 2025 fiscal deficit target of 3.8% remains on track and achievable. Government bond auctions in the month of September saw weakened demand, especially for longer dated bonds as the 15-year reopening received only 1.52x BTC. Average BTC of 2.06x for September issuances were the lowest monthly average in 2025, as markets seem to be more cautious after a strong rally earlier in the year while quality PDS issuances have been rising. Despite tepid demand, the upcoming maturity of RM24.5bil in Oct-2025 against expected net issuance of RM12 billion provides technical support as investors rollover while climbing up yield curve for better yields. The upcoming issuances in October will be dominated by the longer end of the curve with reopening of the 20-year MGS 05/44 and 30-year reopening MGS 07/55, along with the reopening of the 5-year MGII 08/30.

As corporate spreads are expected to widen following the stabilization of MGS yields due to a lag in repricing, we intend to realize gains on selected corporate bond holdings when opportunities arise. Nevertheless, we will maintain an overweight position in corporate bonds to capture yield pick-up, redeploying proceeds into primary issuances that offer more attractive valuations amid a healthy pipeline of high-quality issuers. Our focus will remain on corporates with solid balance sheets and limited exposure to external trade risks. At the same time, we will adopt a tactical approach towards government bonds, taking advantage of the recent market correction that has pushed yields to more compelling levels.

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 : 30 September 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.