

Sun Life Malaysia Conservative Fund

January 2026



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	23.25 million units	Fund Size	RM40.17 million
Unit NAV	RM1.7279	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: <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 	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
89.98%	3.76%	0.00%	6.26%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

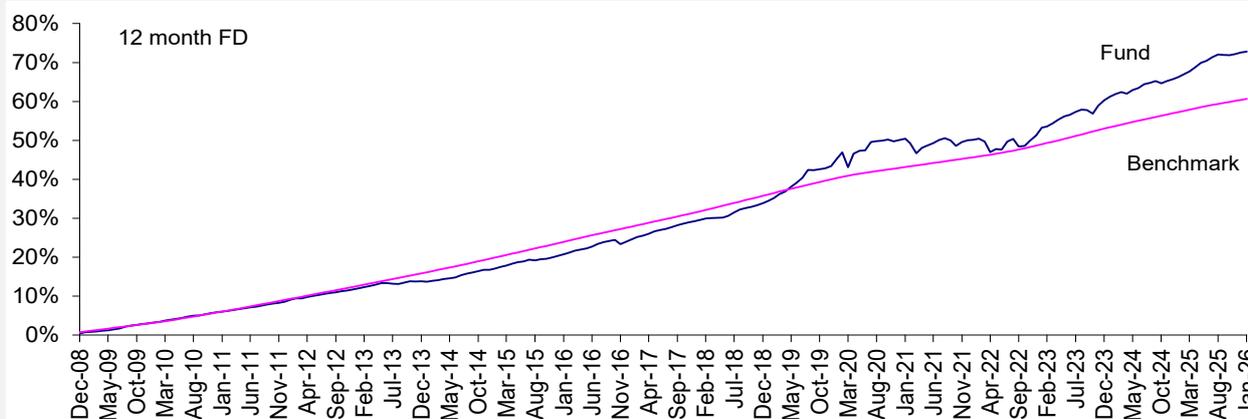
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
DanaInfra Nasional Bhd	4.00%	26/01/2046	3.74	United Overseas Bank Malaysia	3.85%	03/07/2037	2.50
Sarawak Energy Bhd	5.50%	04/07/2029	2.65	OSK Rated Bond Sdn Bhd	4.12%	02/03/2035	2.16
Sarawak Energy Bhd	4.70%	24/11/2028	2.59	Dialog Group Bhd	4.53%	28/01/2032	1.82
Malaysia Government Securities	4.065%	15/06/2050	2.53	Point Zone M Sdn Bhd	4.69%	13/03/2030	1.76
Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.52	Quantum Solar Park Green SRI Sukuk	5.56%	06/10/2027	1.75

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	0.13	0.13	3.91	12.73	14.86	43.07	72.79
Benchmark	0.16	0.16	2.16	7.84	12.24	29.64	60.66

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

Source: Lipper

FUND MANAGER'S COMMENTS

Market Review

The MGS yield curve saw a modest curve twist in January with front-end yields edging higher, as the 3-7y segment rose by 3 to 6 bps. In contrast, the belly out to 15y saw modest declines of 1 to 3bps suggesting demand for intermediate tenors and limited change in medium term inflation and growth expectations. Slight steepening was seen at the long end likely reflecting supply term premium dynamics with meaningful duration supply during the month. (i.e. 15y MGS new issue and 30y MGII new issue). The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed at 3.11% (+2bps), 3.33% (+3.), 3.45% (+6bps), 3.52% (-1bp), 3.77% (-3bps), 3.93% (+7bps), and 4.02% (+4bp) respectively in January.

Bank Negara Malaysia kept the OPR unchanged at 2.75% in January, signaling no urgency to tighten policy amid a stable inflation outlook, despite acknowledging stronger baseline growth. Malaysia's 4Q2025 GDP growth accelerated to 5.7%, above expectations, driven by broad-based expansion across services, manufacturing, construction and agriculture, with full-year growth at the upper end of the government's target. Inflation remained benign, averaging 1.4% in 2025, while producer prices continued to decline, indicating limited upstream cost pressures. External demand stayed strong, with December exports surging 10.4% YoY, led by the E&E sector, lifting full-year trade and surplus. Industrial production maintained positive momentum, while policy reforms under the Madani agenda focused on governance and cost-of-living measures.

Outlook & Strategy

Malaysia's economy is projected to grow at a steady ~4%-4.5% in 2026, supported by resilient consumption, investment and exports, while headline inflation is expected to average between about 1.3% and 2.0% in 2026, according to Bank Negara Malaysia (BNM) projections and Ministry of Finance ("MOF") forecasts.

BNM is expected to keep the overnight policy rate (OPR) unchanged at 2.75% through most of 2026 amid stable domestic growth and inflation, while global central banks such move toward easing, narrowing yield differentials and enhancing the carry appeal of MYR bonds.

The release of the country's Q42025 advanced GDP estimates at 5.7% shows the economy likely expanded by 4.9% in 2025. Better clarity was seen after the OPR remained unchanged at 2.75% with the central bank's statement maintaining a neutral policy stance signalling an extended rate pause for now. The MPC expects the strong domestic growth momentum from 2025 to carry into 2026, while inflation is expected to moderate. The stronger trade performance reinforced this notion.

Key events in February include the release of final Q42025 GDP on 13 February, release of January CPI on 19 February and exports data on 20 February.

Government bond supply in 2026 is expected to remain elevated but manageable, with gross MGS/MGII issuance of about RM183 billion, a front-loaded 1H profile, and a greater skew toward short- to mid-tenor auctions, while issuance flexibility (including short-term bills) is likely to be used to support long-duration yields and manage curve volatility.

In February, there will be three auctions – 10y Reopening of MGS 7/35, 20y Reopening of MGII 5/45 and 5y Reopening of MGS 6/31.

Malaysian bonds saw renewed net foreign inflows in late 2025, reversing earlier outflows, supported by stable fundamentals and a firmer ringgit, which is increasingly viewed as a high-quality carry currency and, together with Malaysia's strong credit profile, is likely to sustain foreign demand into 2026.

The MGS yield curve saw a modest curve twist in January with front-end yields edged slightly higher, whilst the belly out to 15y saw modest declines of 1 to 3bps suggesting demand for intermediate tenors and limited change in medium term inflation and growth expectations. Slight steepening was seen at the long end likely reflecting supply term premium dynamics with meaningful duration supply during the month. (i.e. 15y MGS new issue and 30y MGII new issue)

FUND MANAGER'S COMMENT (CONTINUED)

The 3y to 7y spreads generally tightened across all rating bands by 2 to 4bps, similar to the 20y tenor where tightening was seen by 3 to 6bps. Meanwhile, in contrast, widening was seen for the 10 to 15y credit spreads by 3 to 8 bps across all rating categories except for GGs. For GGs, spreads tightened between 2 to 6bps across all tenors except for the 15y.

Asset allocation continues to favor corporate bonds, where carry remains attractive relative to government securities. We maintain a preference for high-quality, domestically oriented credits, as these issuers are better insulated from potential external risks, including evolving tariff dynamics and global trade uncertainty. Primary market opportunities remain a key focus, particularly where new issues offer incremental yield pick-up over the secondary market.

In the government bond space, we expect to see movements to be largely driven by external factors on the back of geopolitical tensions which continue to persist. We will tactically position ourselves should there be further sell-offs and watch closely for any trading opportunities in this space.

Overall, we maintain a neutral to modestly overweight duration stance, balancing carry accumulation with active trading opportunities, while remaining disciplined amid valuation constraints and supply considerations.

RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

Market risk	<p>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:</p> <ul style="list-style-type: none">• Economic and financial market conditions• Political change• Broad investor sentiment• Movements in interest rate and inflation• Currency risks <p>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.</p>
Interest rate risk	<p>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.</p>
Liquidity risk	<p>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.</p>
Company or security specific risk	<p>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.</p>
Credit risk	<p>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.</p>

Source : *Principal Asset Management Bhd*

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.