

Sun Life Malaysia Conservative Fund

August 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	21.65 million units (29 August 2025)	Fund Size	RM37.24 million (29 August 2025)
Unit NAV	RM1.7204 (29 August 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
90.72%	4.15%	0.00%	5.13%	100.00%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

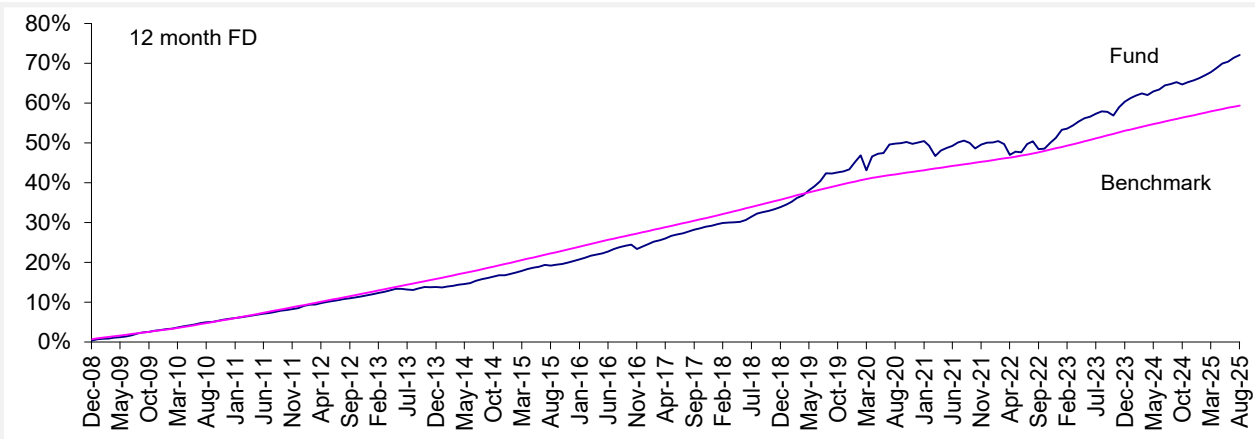
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	7.25	Dialog Group Bhd	4.53%	28/01/2032	1.98
Sarawak Energy Bhd	4.70%	24/11/2028	2.82	Quantum Solar Park Green SRI Sukuk	5.56%	06/10/2027	1.91
Malaysian Government Securities	4.065%	15/06/2050	2.80	UEM Sunrise Bhd	4.08%	04/03/2032	1.88
Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.73	Tenaga Nasional Bhd	3.55%	10/08/2040	1.84
OSK Rated Bond Sdn Bhd	4.12%	02/03/2035	2.38	Public Bank Bhd	3.73%	15/07/2032	1.55

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.84	0.39	4.41	14.40	14.85	44.34	72.04
Benchmark	1.54	0.17	2.36	8.15	12.14	30.37	59.37

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

Source: Lipper

FUND MANAGER'S COMMENTS

Market Review

The Malaysian Government Securities (“MGS”) yields eased in August, led by 6 to 7bps declines at the front end on carry demand and lower-for-longer policy expectations following Bank Negara Malaysia (“BNM”) July overnight policy rate (“OPR”) cut, while the long end fell only 2 to 4bps. However, the 10-year edged up 2bps amid softer demand and fading index-related flows. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.02% (-7bps), 3.11% (-6bps), 3.31% (-4bps), 3.40% (+2bps), 3.63% (-2bps), 3.75% (-2bps) and 3.88% (-4bps), respectively in August.

During the month, credit spreads generally tightened across rating segments, led by GG and AA2, while AAA was broadly stable and A2 saw some short-end widening. The 10-year tenor recorded the most pronounced compression across all rating buckets due to the correction in the 10-year benchmark. Credit spreads remain tight versus long-term averages across rating segments, with limited upside from further tightening overall.

Malaysia’s economy expanded +4.4% YoY in 2Q25 (1Q25: +4.4%), led by services (+5.1%), manufacturing (3.7%) and construction (12.1%) with domestic demand as the key driver supported by rising wages, government salary adjustments and a stronger labour market. At 4.4%, growth was slightly below the 4.5% estimate, but growth prospects remain anchored by strong domestic fundamentals, fiscal measures, and tourism, though risks remain from the US tariffs, especially for Malaysia’s electrical & electronics (“E&E”) sector, softer global trade, and geopolitical tensions.

Meanwhile, Consumer Price Index (“CPI”) edged up to +1.2% YoY in July 25 (June: +1.1%), as food-at-home prices continued to contract while dining-out and selected non-food costs rose modestly. Meanwhile, the Producer Price Index (“PPI”) fell -3.8% YoY in July 25 (June: -4.2%), marking its fifth consecutive month of decline, driven by weakness in mining and manufacturing partly offset by gains in agriculture and utilities.

From 7 August 2025, the US reduced tariffs on Malaysian exports to 19% (down from 25%), as part of a bilateral trade adjustment. In return, Malaysia agreed to remove import duties on approximately 98% of goods originating from the US. While this reciprocal move signals closer trade alignment between the two countries, the tariff reduction remains partial. For Malaysian businesses, particularly in key export sectors such as electronics, semiconductors and palm oil, the lowered tariffs represent elevated costs compared to the pre-tariff environment, keeping pressure on competitiveness and margins. Moreover, other ASEAN peers are subject to similar tariff levels, which helps maintain relative regional competitiveness but does little to reduce the absolute burden on exporters.

Outlook & Strategy

The 13th Malaysia Plan (2026–2030) outlined a record-high development spending of RM430 billion (vs RM415 billion in 12MP), reflecting the government’s push towards infrastructure (RM227 billion) and social investments (RM133b), with government-linked companies (“GLC”) (via the Gear-Up programme) and public-private partnerships (“PPPs”) lifting total funding needs to RM611 billion, while aiming to keep the fiscal deficit below 3% of GDP by 2030.

GDP growth is projected to moderate slightly to 4.0%–4.8% in 2025, easing from earlier forecasts (4.5–5.5%) amid weaker trade, tariffs, and softer commodity production. Growth will remain supported by resilient domestic demand, jobs, wages, and continued investment, though BNM warns external risks and geopolitical tensions could weigh on the outlook. Inflation is expected to remain contained (1.5%–2.3%) in 2025, with upside risks from tariffs, expanded SST, and stronger demand from OPR cut.

Malaysia’s E&E sector, the country’s largest export contributor is facing heightened risk from potential US tariffs and semiconductors, which could be raised as much as 100%. Such measures would directly threaten nearly 20% of Malaysia’s E&E exports destined for the US market, creating possible downside risks to trade performance and overall GDP growth.

FUND MANAGER'S COMMENT (CONTINUED)

Meanwhile, the 2025 fiscal deficit target of 3.8% remains on track. The government measures to provide cost of living relief (cash aid, toll freeze, electricity relief) will be funded through additional revenue from the expanded SST (effective 1 July) and the upcoming RON95 subsidy rationalization, which could save RM7.2–7.5 billion annually.

Domestic supply-demand dynamics remains constructive with heavy upcoming maturities (RM51.3 billion in Sep–Oct) combined with lighter net issuance, creating opportunities for yield compression as investor will look to rollover, while climbing up the yield curve for better yield. This creates a supportive technical backdrop for belly and long-end bonds. The upcoming issuances in September will be dominated by the short end with the reopening of the 3-year MGS 4/28 and 3-year MGII 7/28. There will also be a new issue 30-year MGII 9/55, adding to the depth of the ultra-long end of the curve.

BNM kept the OPR at 2.75% in September, viewing the rate as appropriate to support growth while maintaining price stability. The statement adopted a more neutral tone, suggesting a more data dependent stance where further easing would likely require material downside surprises in growth and inflation. With inflation contained and growth holding steady, we expect BNM to keep the OPR unchanged at 2.75% through the remainder of 2025. We are taking profit on government bonds following the recent rally, as well as on GG and corporate bonds trading at rich valuations and rotating into new issuance where we see more attractive entry levels. Upcoming large government maturities and softer net supply create technical opportunities to raise cash by taking profit on the short end and redeploying into the belly, long end, and new corporates at more attractive valuations. We stay overweight incorporates for yield pick-up, prioritizing issuers with strong balance sheets and limited trade exposure.

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 : 29 August 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.