Sun Life Malaysia Conservative Fund

May 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	23.05 million units (30 May 2025)	Fund Size	RM39.17 million (30 May 2025)
Unit NAV	RM1.6994 (30 May 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	Up to 1.00% per annum of the NAV of the fund. These fund management charges are accrued on a daily basis.

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
91.77%	3.89%	0.00%	4.34%	100.00%

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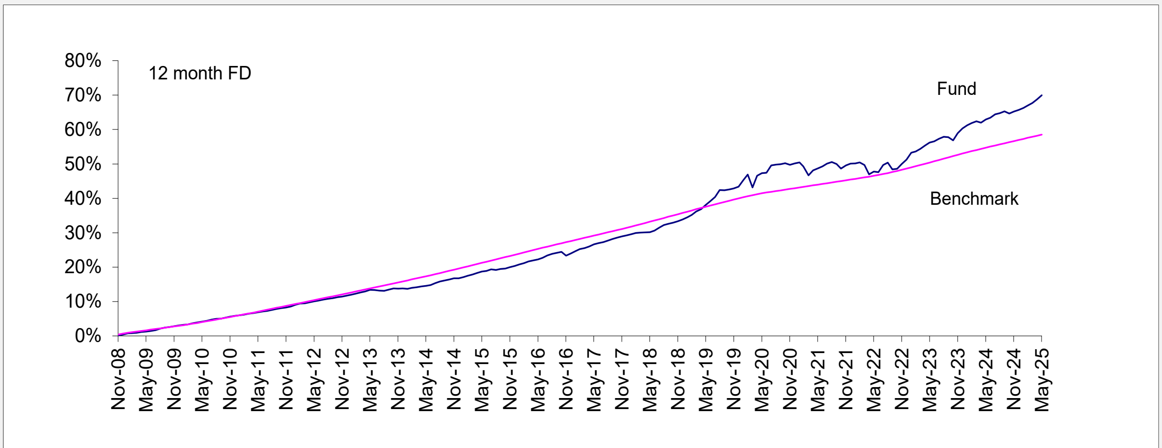
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	6.99	DanaInfra Nasional Bhd	4.27%	21/10/2054	2.66
Prasarana Malaysia Bhd	4.12%	08/10/2046	3.70	Sarawak Energy Bhd	4.70%	24/11/2028	2.65
Prasarana Malaysia Bhd	5.23%	13/09/2047	3.07	Malaysian Government Securities	4.065%	15/06/2050	2.63
Edra Energy Sdn Bhd	6.23%	05/01/2032	2.97	Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.55
UniTapah Sdn Bhd	6.15%	12/12/2030	2.92	Lembaga Pembiayaan Perumahan Sektor Awam	4.24%	17/04/2054	2.12

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	2.57	0.69	4.32	14.98	15.37	43.19	69.94
Benchmark	1.00	0.20	2.45	8.16	12.06	30.75	58.61

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

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FUND MANAGER'S COMMENTS

Market Review

Intermediate Malaysian Government Securities (MGS) benchmarks rallied sharply in May 2025, outperforming other tenors as liquidity injections supported demand in the belly of the curve. The rally was catalyzed by Bank Negara Malaysia's (BNM) unexpected 100 basis point cut in the Statutory Reserve Requirement (SRR)—from 2.00% to 1.00%—announced after the May Monetary Policy Committee (MPC) meeting. This move, though not a signal of a change in the Overnight Policy Rate (OPR), was interpreted by market participants as a dovish liquidity-supportive measure, particularly amid ongoing global uncertainty stemming from US tariff policies and volatility in US Treasury yields. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.17% (-8bps), 3.20% (-20bps), 3.38% (-17bps), 3.56% (-13bps), 3.70% (-14bps), 3.81% (-11bps) and 4.08% (-2bps), respectively in May.

The Malaysian Government Investment Issue (MGII) curve also shifted lower in a more parallel fashion, supported by overall sustained demand for the fixed income asset class. Of particular note was the performance of the new 20-year MGII benchmark, which outperformed on a relative basis following a successful primary auction. The new MGII 5/45 issue garnered a bid-to-cover ratio of over 3.3 times, signaling strong interest on duration despite slightly richer valuation. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.16% (-14bps), 3.28% (-12bps), 3.43% (-12bps), 3.53% (-9bps), 3.67% (-12bps), 3.75% (-17bps) and 4.04% (-4bps), respectively in May.

At its meeting during the month, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3%. In its statement BNM stated that the latest indicators point towards continued global growth and trade, supported by domestic demand and front-loading activities. BNM added that global growth outlook would remain supported by positive labour market conditions, less restrictive monetary policy and fiscal stimulus. However, the tariff measures announced by the US and retaliations have weakened the outlook on global growth and trade. This outlook remains subject to considerable uncertainties, which include outcomes of trade negotiations and geopolitical tensions. Such uncertainties could also lead to greater volatility in the global financial markets.

Meanwhile, Bank Negara Malaysia also announced that the Statutory Reserve Requirement (SRR) Ratio will be lowered by 100 basis points, from 2% to 1%, effective 16 May 2025. The decision to reduce the SRR is part of Bank Negara Malaysia's continuous efforts to ensure sufficient liquidity in the domestic financial system. This will facilitate banks to better manage liquidity in an environment of greater financial market volatility and provide continued support for financial intermediation activity. The SRR reduction will release approximately RM19 billion worth of liquidity into the banking system.

Malaysia's economy grew 4.4% year-on-year in Q1 2025, confirming initial estimates and easing from a downwardly revised 4.9% growth in the previous quarter. This marks the slowest pace of expansion in a year, reflecting softer output growth in manufacturing (4.1% vs 4.2% in Q4), construction (14.2% vs 20.7%), and services (5.5% vs 5%).

Exports from Malaysia surged 16.4% year-on-year to MYR 133.6 billion in April 2025, much faster than forecasts of 7.8%, accelerating sharply from a 6.8% rise in the previous month. It was the seventh consecutive month of growth in outbound shipments and the fastest pace in four months as factories rushed to ship goods after President Donald Trump in April announced a 90-day pause on plans to impose a 24% levy on Malaysia.

Malaysia's annual inflation rate held steady at 1.4% in April 2025, unchanged from March and matching market expectations. It remained the lowest level since February 2021, with food prices rising the least in six months (2.3% vs 2.5% in March).

Industrial production in Malaysia grew by 3.2% year-on-year in March 2025, picking up from a more than one-year low of 1.5% gain in the previous month. This marked the strongest expansion in industrial activity since December 2024, as output rebounded for mining and quarrying (1.9% vs -8.9% in February) and it decreased at a softer pace for electricity (-2.7% vs -2.8%).

FUND MANAGER'S COMMENT (CONTINUED)

The unemployment rate in Malaysia declined to 3.1% in March 2025 from 3.3% in the same month of the previous year, holding steady for the fourth month running while staying at its lowest level since May 2015. The number of unemployed persons fell by 4.9% year-on-year to a over five-year low of 529,600, while employment increased by 3.0% to a three-month high of 16.78 million. Meanwhile, the labor force participation rate increased to a record-high of 70.7% from 70.5% in the corresponding month a year earlier.

Outlook & Strategy

BNM expects economic growth to fall below the official forecast this year due to US tariffs. BNM governor says that economic expansion this year will likely come in "slightly lower" than the 4.5% to 5.5% official growth estimate for the year. New forecasts are expected to be announced in July. Meanwhile, BNM also expects headline inflation to remain at a moderate level of below 3% this year, even as the government commits to reducing petrol subsidies in the second half of the year.

Malaysia is delaying a planned expansion of its sales and service tax, providing temporary reprieve for manufacturers bracing for higher US tariffs. The planned widening of the tax base, originally due on May 1, will be implemented at a later date, according to the Ministry of Finance.

Data scheduled to be released during the month of June include April Industrial Production YoY (March: 3.2%), May Exports YoY (April: 16.4%) and May CPI YoY (April: 1.4%). Next BNM MPC meeting will be on 9 July 2025.

MGS/GII trading volume declined by 13.5% MoM to RM163.6 billion in May from RM 189.2 billion in April, while corporate bond trading volume increased by 7.7% MoM to RM19.9 billion from RM18.5 billion in April 2025. Meanwhile, government bond auction during the month of May remained strong with average bid-to-cover ratio of 2.58 times for the public auctions. During the month of June, there will be three government auctions which consists of the 15-year reopening of MGS 4/39, 30-year reopening of MGII 3/54 and the 10-year new issue of MGS 7/35.

Overall geopolitical and trade uncertainties continue to remain elevated. The market may react sharply to any escalation in tariff enforcement or retaliatory measures and/or vice versa. We will stay cautious ahead of the tariff deadline on 9 July and avoid adding significant risk too early. We can also expect some profit-taking activities ahead of BNM's MPC meeting in July. We will look to lock in gains on government bonds that have priced in the 25bps cut while continue to have some tactical positions in anticipation of a possible curve correction or repricing. Preference remains on corporate bonds, as recent credit spreads widening offers more attractive carry over government bonds. We will continue to focus on primary issuance for more attractive pricing and better allocations, while rotating out of selective tighter names where upside is limited.

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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 May 2025