

Sun Life Malaysia Conservative Fund

March 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	26.09 million units (28 March 2025)	Fund Size	RM43.75 million (28 March 2025)
Unit NAV	RM1.6771 (28 March 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: <ul style="list-style-type: none">Have a medium to long term investment horizonWant a diversified portfolio of fixed interest securitiesAre 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
93.13%	3.44%	0.00%	3.43%	100.00%

Sun Life Malaysia Conservative Fund

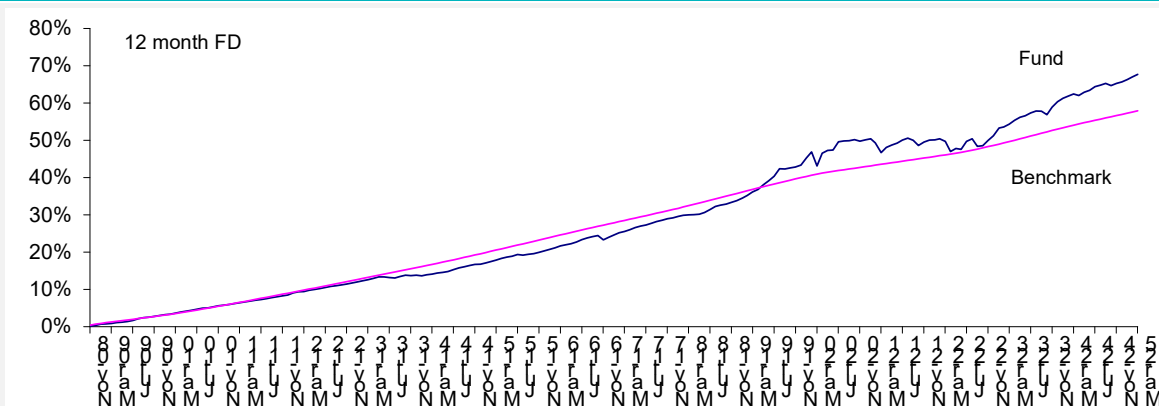
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TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	6.18	Malaysian Government Securities	4.065%	15/06/2050	2.32
Prasarana Malaysia Bhd	4.54%	29/01/2044	4.91	Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.31
Edra Energy Sdn Bhd	6.23%	05/01/2032	2.61	Malayan Banking Bhd	3.10%	08/10/2032	2.28
UniTapah Sdn Bhd	6.15%	12/12/2030	2.58	YTL Corp Bhd	4.60%	23/06/2034	1.94
Sarawak Energy Bhd	4.70%	24/11/2028	2.40	Tenaga Nasional Bhd	4.98%	27/08/2038	1.90

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.23	0.45	3.26	12.03	17.17	42.29	67.71
Benchmark	0.62	0.20	2.55	8.13	12.10	31.02	57.97

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

Source: Lipper

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FUND MANAGER'S COMMENTS

Market Review

The local government bonds market rallied in March, following a steepening trend in the US Treasuries as the market began pricing in the potential impacts from the retaliatory tariffs which could result in slower global growth. The MGS yield curve steepened mildly with the 3y moving lower by -5 bps, while the 10y and 30y adjusted lower by only -2bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.45% (-5bps), 3.60% (-3bps), 3.71% (-3bps), 3.80% (-2bps), 3.93% (-5bps), 4.01% (-6bps) and 4.18% (-2bps), respectively in March.

MGII yields also shifted lower during the month between 2 – 6bps throughout the curve. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.48% (-3bps), 3.56% (-2bps), 3.74% (-4bps), 3.79% (-3bps), 3.89% (-3bps), 4.02% (-6bps) and 4.16% (-4bps), respectively in March.

Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.00% during its Monetary Policy Committee (MPC) meeting in March, whilst remaining constructive on global and domestic growth outlook. The statement also highlighted external and global policy uncertainties, particularly the US trade and tariff policies under the Trump 2.0 administration.

In March, local government bonds remained supported with yields drifting lower in a bull-steepening fashion. However, credit spread movements were mixed. Government guaranteed spreads widened on the short end but tightened in the medium term and remained flat for the longer term. Meanwhile, short-to-medium term AAA tightened by 1 to 4bps, while widening slightly on the longer term. AA2 spreads were flattish in the short-to-medium term but widened in the longer term. A2 spreads widened across the curve by 2 to 6bps.

BNM also released its 2024 Annual Report on 24th March and affirmed its growth forecast for 2025 at 4.5% to 5.5% despite acknowledging considerable external uncertainties. While the central bank trimmed its growth outlook for net external demand, they revised the growth outlook for public consumption and investment activities upwards. Meanwhile, they maintained the headline inflation and core inflation forecasts at 2.0% to 3.5%, and 1.5% to 2.5%, for 2025 respectively.

Despite the 13.3% increase in minimum wages w.e.f 1st February, Malaysia's headline inflation rate eased to 1.5% YoY in February (Jan-25: +1.7%), while core inflation edged up to 1.9% YoY (Jan-25: +1.8%).

In February, Malaysia's exports growth picked up with 6.2% YoY (Jan-25: +0.3%), while imports grew 5.5% YoY (Jan-25: +6.2%), leading to a higher trade surplus of RM5.9 billion (Jan-25: RM3.7bn). Exports to the US and namely Electrical and Electronics were particularly strong, possibly due to the front-loading activities ahead of "Liberation Day".

Malaysia's manufacturing sector conditions remained contraction for the 10th consecutive month in March with the seasonally adjusted manufacturing PMI registering 48.9 (Feb-25: 49.7), as new orders eased the most in a year and production fell. Meanwhile, Malaysia's unemployment rate remained at 3.1% in January (Dec-24: 3.1%).

On "Liberation Day", President Trump announced a minimum 10% tariffs on all imports (w.e.f 5th April), while imposing additional reciprocal tariffs of 10 to 50% on another 60 nations (w.e.f 9th April) depending on their assessment of levies and non-tariff barriers those countries impose on US goods. Some of the affected key regions include China (34%), the EU (20%), and Japan (24%), while regional countries Thailand (36%), Indonesia (32%), Malaysia (24%), and Singapore (10%) are also impacted. Most countries already subjected to tariffs by other measures such as Canada/Mexico (25%), vehicles and parts (25%), and steel and aluminum (25%) will not be subject to reciprocal tariffs, providing some relief. Malaysia exports mostly electronics, palm oil and machinery to the US. While semiconductors have been exempted from these tariffs, they may not be entirely out of the woods as President Trump announced probes into the industry to protect US semiconductor producers.

FUND MANAGER'S COMMENT (CONTINUED)

Outlook & Strategy

The positive economic growth momentum had been expected to continue in 2025 driven largely by robust expansion investment activity, resilient household spending supported by upward revision of the minimum wage and civil servant salaries, as well as expansion in exports. However, the growth outlook now appears to downside risks from the external developments and uncertainties arising from the US trade policy and tariff actions.

Upcoming economic data releases in March include unemployment rate, retail sales & industrial production (11 Apr), preliminary GDP for 1Q2025 and trade data (18 Apr), CPI (23 Apr) and PPI (28 Apr).

There will be 3 auctions in April which are more balanced in duration supply – with the re-openings of the 15-year GII 7/40 and 3-year MGS 4/28, while we will also see a new issuance of the 10-year GII 4/35. The net supply of government bonds in the 2Q2025 is relatively large, given the lack of maturities during the period – and with more long duration supply with six out of eight auctions between April to June are from 10-year to 30-year bucket.

We are mindful of the external headwinds due to US trade policy and tariff actions and potential geopolitical tensions, thereby leading to a risk off sentiment. We could see market volatility to persist in the coming months.

We are inclined to take some profit on the government bonds, and to redeploy into credit (both primary and secondary) given widening credit spreads. We will have to be selective in the credit picks, as the overall credit environment appears to be weakening. We prefer issuers with strong financial metrics and fewer exposures to external trade shocks. Overall, we continue to prefer credit segment for better yield pickup.

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

Date : 28 March 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.