Sun Life Malaysia Conservative Fund
October 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	22.08 million units (31 October 2025)	Fund Size	RM37.95 million (31 October 2025)
Unit NAV	RM1.7189 (31 October 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
92.11%	4.00%	0.00%	3.89%	100.00%

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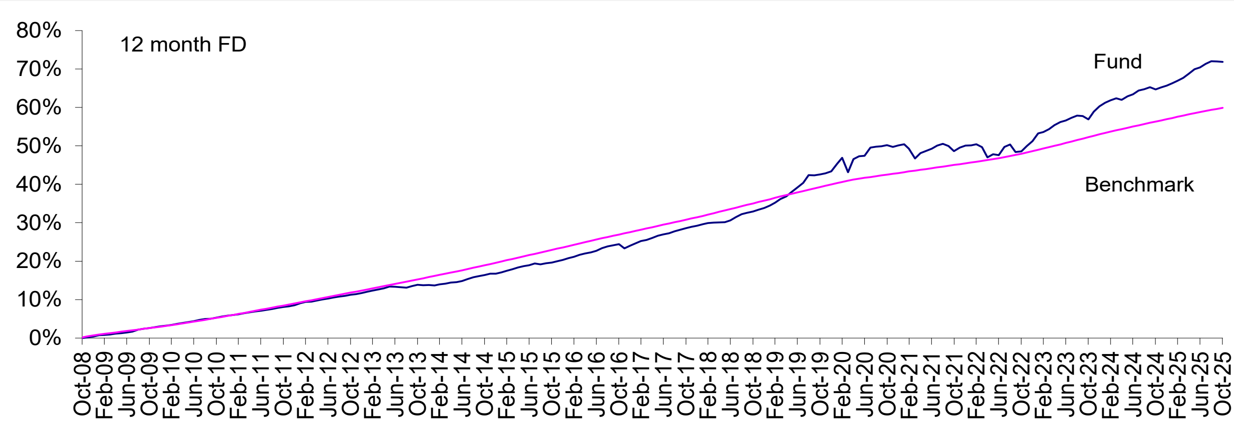
TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Sarawak Energy Bhd	5.50%	04/07/2029	7.15	Dialog Group Bhd	4.53%	28/01/2032	1.94
Sarawak Energy Bhd	4.70%	24/11/2028	2.78	Point Zone M Sdn Bhd	4.69%	13/03/2030	1.85
Malaysian Government Securities	4.065%	15/06/2050	2.70	Quantum Solar Park Green SRI Sukuk	5.56%	06/10/2027	1.83
Perbadanan Kemajuan Pertanian Negeri Pahang	4.36%	29/10/2027	2.64	UEM Sunrise Bhd	4.08%	04/03/2032	1.81
OSK Rated Bond Sdn Bhd	4.12%	02/03/2035	2.27	Tenaga Nasional Bhd	3.55%	10/08/2040	1.78

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.75	-0.03	4.38	15.70	14.44	43.72	71.89
Benchmark	1.87	0.16	2.27	8.05	12.18	30.08	59.88

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

Source: Lipper

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FUND MANAGER'S COMMENTS

Market Review

The Malaysian Government Securities ("MGS") yield curve bear steepened as MGS yields climbed in October, led by 12bps increase at the long end of the curve while the 3y was only up by 3bps. Weak auction for government bonds with strong supply of corporate issuances also pushed yields higher. Local market was also weighed down by stronger than expected 5.2% 3Q25 GDP growth, which has effectively removed any remaining expectations of BNM easing. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.18% (+3bps), 3.30% (+5bps), 3.47% (+4bps), 3.52% (+5bps), 3.80% (+10bps), 3.94% (+12bps) and 4.00% (+8bps), respectively in October.

During the month, credit spread movements were mixed. GG and AA2 spreads widened on the short-to-medium term but tightened for the longer term. Meanwhile, AAA spreads were flattish, while A2 spreads narrowed across the curve by 5-9bps.

Meanwhile, the Malaysian Government Investment Issues ("MGII") yields also shifted higher MoM by 1bp to 9bps across the curve due to profit taking activity, as well as increased corporate issuances. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.18% (+1bp), 3.27% (+2bps), 3.42% (+2bps), 3.55% (+5bps), 3.76% (+5bps), 3.91% (+9bps), and 4.04% (+1bp) respectively in October.

The advanced GDP estimate that Malaysia's 3Q2025 GDP expanded by 5.2% YoY, up from 4.4% in 2Q2025 driven by strong performance in Services (+5.1%), Manufacturing (+4.0%), and a rebound in Mining & Quarrying (+10.9%). Construction remained robust (+11.2%), while Agriculture slowed (+0.4%).

World Bank lifts Malaysia's GDP projection to 4.1% from 3.9% for 2025 following better-than-expected external demand and sustained strength in domestic demand. But the institution anticipates a 4.1% GDP growth in 2026, with expectations for export growth to slow following the frontloading activities this year, while domestic demand is also expected to moderate.

In September, headline inflation inched up to 1.5% YoY (August:1.3%) mainly driven by higher costs in Personal Care & Miscellaneous Goods (+4.8%), Food & Beverages (+2.1%), and Housing & Utilities (+1.5%). Core inflation remained moderate at 2.1% while price pressures were offset by declines in vegetables and communication services.

Exports surged from 1.9% in Aug25 to 12.2% YoY in Sep25, totaling RM138.7bil as all sectors recorded expansion. The expansion was led by the manufacturing sector, where the shipments of electrical and electronic (E&E) products, which made up 47% of total exports, increased by 19.5% YoY (Aug25: +10.1%). The mining sector turned positive after 13 months amid higher exports of metalliferous ores and metal scrap (Sep25: +4.3% YoY, Aug25: -2.4%). Meanwhile, deliveries to the US saw a surge of 24.4% YoY (Aug25: -17.2%).

Imports rebounded from -5.9% in Aug25 to 7.3% YoY in Sep25, totaling RM118.8bil, supported by a recovery in consumption goods imports (Sep25: +5.1% YoY, Aug25: -8.9%) and sustained momentum in capital goods imports (Sep25: +9.3% YoY, Aug25: +10.9%). The spike in exports resulted in a trade surplus of RM19.9bil in Sep25 (Aug25: RM15.8bil), marking 65 consecutive months of surplus since May 2020.

Malaysia's Prime Minister and Finance Minister YAB Dato' Seri Anwar bin Ibrahim tabled Budget 2026 on 10 October 2025, which is the first under the 13th Malaysia Plan and the fourth instalment of the MADANI budgets. Themed "The People's Budget", it demonstrates the Government's commitment towards supporting the Rakyat while pursuing broad-based reforms under MADANI economic framework and maintaining fiscal discipline. Overall, Budget 2026 further builds on the momentum of the New Industrial Master Plan (NIMP) 2030 and the New Investment Incentive Framework (NIIF), with targeted support in strategic areas such as semiconductors, artificial intelligence (AI), the digital economy and energy transition.

FUND MANAGER'S COMMENT (CONTINUED)

A total of RM470bn will be allocated for public spending compared to RM452bn in the previous budget, which is a record figure that is supplemented by RM50bn investments from several Government-linked institutions. At the federal level, the Government intends to fund RM338bn in operating expenditure and RM81bn in development spending through higher tax receipts, subsidy savings and additional debt. As part of the Government's commitment to reduce reliance on commodity-based revenue, share of petroleum-related taxes will make up merely 12.5% of revenues in 2026 vs 17% in 2025, with dividends from Petronas lowered from RM32bn to RM20bn.

Outlook & Strategy

In November, Bank Negara Malaysia ("BNM") kept the OPR rate at 2.75% in its last MPC meeting of the year, given the stable domestic inflation and positive economic growth outlook. We expect BNM to keep OPR unchanged at 2.75% for an extended period to strengthen economic growth and maintain the current stable inflation.

The Budget 2026 signals continued fiscal consolidation with the deficit narrowing to 3.5% of GDP (RM74.6bn) from 3.8% in 2025 (RM76.7bn), and despite a tighter fiscal stance, total gross MGS and GII issuance is projected to rise to RM183bn next year (from revised RM170.5bn) on larger maturity profile of RM108.7bn. Net supply however, is expected to ease to RM75bn (vs RM87bn in 2025) as new funding needs moderate. From a bond-market standpoint, this suggests a manageable supply backdrop despite higher gross issuance, with no major refinancing or FX-debt risk expected.

With fiscal discipline intact and a credible consolidation path toward a 3% deficit by 2028 and below 3% by 2030, the outlook remains supportive for medium- to long-duration government bonds, though supply absorption will still hinge on investor appetite and foreign demand stability.

Data scheduled to be released in the month of November includes September industrial production, and retail sales (7 Nov), October trade data (19 Nov), and inflation rate (21 Nov).

New government bond issuance has been slightly higher than earlier anticipated. Next auction is a reopening of 10y GII 4/35, which may be revised higher to MYR5b with no private placement. Guided by Budget 2026 presentation, gross government bond issuance has been revised higher to RM 170.5bn. In November, there will be three auctions with an estimated net issuance of around RM 13 billion. The upcoming issuances in November are reopening of the 10-year MGII 4/35, 7-year MGS 7/32 and 20-year MGII 5/45.

With inflation contained and growth holding steady, we expect BNM to keep the OPR unchanged at 2.75% through the remainder of 2025. Our preference remains in corporates for yield pick-up by redeploying into primary issuances where we see more attractive valuations considering the robust pipeline of quality corporates, prioritizing Issuers with strong balance sheets and limited trade exposure. Meanwhile, we will have tactical positioning in government bonds in view of recent selloff, which allows for cheaper entry.

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 : 31 October 2025