

# Sun Life Malaysia Asia Pacific Equity Fund

February 2024



## FUND OBJECTIVE

Aims to achieve long-term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex Japan region.

## FUND DETAILS

Launch Date	13 February 2015	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	12.79 million units (29 February 2024)	Fund Size	RM21.41 million (29 February 2024)
Unit NAV	RM1.6743 (29 February 2024)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Islamic Asia Pacific Dynamic Equity Fund – Class MYR
Benchmark	MSCI AC Asia ex Japan Islamic Index	Taxation	8% of annual investment income
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> <li>▪ Have a long-term investment horizon</li> <li>▪ Want a portfolio of investments that adhere to Shariah principles</li> <li>▪ Want a well-diversified portfolio of Asia Pacific ex Japan regional equities</li> <li>▪ Seek capital appreciation over long-term</li> </ul>	Fees	<ul style="list-style-type: none"> <li>▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Asia Pacific Equity Fund.</li> <li>▪ Up to 1.8% pa fund management charge is applied on the target fund's NAV by Principal Asset Management Bhd.</li> </ul>

## ASSET ALLOCATION OF THE TARGET FUND

Shariah-compliant Equities (Foreign)	Mutual Fund	Cash
95.34%	0.76%	3.90%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

Telephone (603) 2612 3600 Client Careline 1300-88-5055 [wecare@sunlifemalaysia.com](mailto:wecare@sunlifemalaysia.com) [sunlifemalaysia.com](http://sunlifemalaysia.com)

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## SECTOR ALLOCATION OF THE TARGET FUND

Information Technology	39.71%
Consumer Discretionary	16.02%
Energy	11.42%
Materials	10.20%
Consumer Staples	7.21%
Real Estate	3.86%
Communication Services	2.95%
Industrials	2.75%
Health Care	1.22%
Mutual Fund	0.76%
Cash	3.90%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE TARGET FUND

Taiwan Semiconductor Manufacturing (Taiwan)	10.73%
Samsung Electronics Co Ltd (South Korea)	8.41%
Reliance Industries Ltd (India)	8.20%
Samsung Electronics (South Korea)	5.47%
KIA Corporation (South Korea)	3.18%
Synopsys Inc (United States)	3.17%
Bajaj Auto Ltd (India)	2.83%
Ultra Tech Cement Ltd (India)	2.72%
ASML Holding N.V. (Netherlands)	2.62%
Linde Plc (United States)	2.59%
<b>Total</b>	<b>49.92%</b>

## PERFORMANCE RECORD

This fund feeds into Principal Islamic Asia Pacific Dynamic Equity Fund – Class MYR ("target fund") with the objective to achieve long-term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex Japan region.

Table below shows the investment returns of Sun Life Malaysia Asia Pacific Equity Fund versus its benchmark as at 29 February 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	4.38	4.23	10.45	17.55	-2.87	43.57	67.43
<b>Benchmark</b>	4.76	5.78	11.08	18.61	-0.87	35.52	79.55

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

**Notice: Past performance of the fund is not an indication of its future performance which may differ. The fund performance is not guaranteed.**

## FUND MANAGER'S COMMENTS

During the month, our Fund rose 4.23% in MYR terms, underperforming the benchmark by 155 basis points mainly due to its structural underweight in a technology name in the benchmark which performed well. Year-to-date, our Fund rose 4.38% in MYR terms, slightly outperforming the Benchmark by 38bps.

We are starting to see more forceful measures in China as witnessed by several moves including a 25bps cut in the five-year loan prime rate which affects mortgages, sovereign entities buying more exchange traded funds (ETFs) and some green shoots in the economy with better tourism spending during the Spring Festival. While we have turned incrementally more positive on China, we are mindful that its policies are a work-in-progress and efficacies remain to be seen. Meanwhile, in South Korea, the government's efforts to promote shareholder returns known as 'Corporate Value-up Program' akin to what happened in Japan could result in a re-rating in the stock market in the longer run. In Asia, we are positive on the recovery of the technology hardware cycle and broad-based growth in India. The US Fed has gone from raising rates and tackling inflation in 2023 to calibrating how many rate cuts to implement from 2024 onwards. This should be supportive for equities in terms of multiple expansion provided earnings do not disappoint significantly. In the US Fed's December projections, the median policy rate is expected to decline by 80bps to 4.6% in 2024 and a further 100bps to 3.6% in 2025. The magnitude of rate cuts would highly depend on the inflation and economic growth trajectory, whereby a soft landing is currently expected.

We remain fully invested and well positioned in the areas of a) bottoming of the tech hardware cycle b) strong private sector confidence in India c) selected global names with resilient demand in the areas of consumption, energy and technology. During the month, we bought into two-wheelers and industrials in India, global technology companies in the chipmaking value-chain, a Chinese education company and sold a DRAM position due to index exclusion.

## RISKS

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

<b>Stock specific risk</b>	Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stock will adversely affect the target fund's NAV.
<b>Country risk</b>	Investments of the target fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the target fund invests. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the target fund in those affected countries. This in turn may cause the NAV of the target fund or price of units to fall.
<b>Currency risk</b>	As the investments of the target fund may be denominated in currencies other than the base currency of the target fund, any fluctuation in the exchange rate between the base currency of the target fund and the currencies in which the investments are denominated may have an impact on the value of these investments. You should be aware that if the currencies in which the investments are denominated depreciate against the base currency of the target fund, this will have an adverse effect on the NAV of the target fund in the base currency of the target fund and vice versa. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.
<b>Risks associated with investment in warrants and/or options</b>	There are inherent risks associated with investment in warrants and/or options. The value of warrants and/or options are influenced by the current market price of the underlying security, the exercise price of the contract, the time to expiration of the contract and the estimate of the future volatility of the underlying security's price over the life of the contract. Generally, the erosion in value of Shariah-compliant warrants accelerates as it approaches its expiry date. Like securities, Principal will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.
<b>Credit/Default risk</b>	The target fund will be exposed to a certain degree of credit and default risk of issuers or counterparties when the target fund invests in Sukuk and/or place Islamic deposits. Credit risk relates to the creditworthiness of the securities issuers or counterparties and their expected ability to make timely payment of profit and/or principal. Any adverse situations faced by the issuers or counterparties may impact the value as well as liquidity of the investments. In the case of rated Sukuk, this may lead to a credit downgrade. Default risk relates to the risk that a securities issuer or counterparty either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investments. This could adversely affect the value of the target fund. Principal aims to mitigate this risk by performing bottom-up and top-down credit research and analysis to determine the creditworthiness of its issuers or counterparties, and impose investment limits on exposures for issuers or counterparties with different credit profiles as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.

**RISKS (CONTINUED)**

**Interest rate risk**

Interest rate risk refers to the impact of interest rate changes on the valuation of Sukuk and Islamic money market instruments. When interest rates rise, Sukuk and Islamic money market instruments' prices generally decline and this may lower the market and Islamic money market instruments. In managing the Sukuk, Principal takes into account the coupon rate and time to maturity of the Sukuk with an aim to mitigate the interest rate risk. As for Islamic money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike Sukuk, any change to interest rate will only have a minor impact to the prices of these instruments.

Note: Please note that although Sukuk is a non-interest bearing instrument, its price movement is correlated to the movement in the interest rates. As such, investment in Sukuk will have an exposure to the movement of the interest rates. Even though the target fund does not invest in interest bearing instruments, the interest rate referred herein is to the general interest rate of the country, which may affect the value of the investment of the target fund.

**Risk associated with investing in CIS**

Since the target fund may invest into Islamic CIS, there is a risk of concentration into Islamic CIS, in which the Islamic CIS's management company has absolute discretion over the Islamic CIS's investment technique and knowledge, operational controls and management. In the event of mismanagement of the Islamic CIS and/or the management company, the NAV of the target fund, which invests into those Islamic CIS would be affected negatively. Should the situation arise, Principal will seek for another Islamic CIS that is consistent with the objective of the target fund.

Source : *Principal Asset Management Bhd*

Date : *29 February 2024*

**Disclaimer:**

The benchmark performance is not a guide to future performances which may differ. 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.

Although Sun Life Malaysia Asia Pacific Equity Fund invests in Shariah-approved securities, the investment-linked insurance plan itself is not classified as a Shariah-compliant product.