# Sun Life Malaysia
# Asia Pacific Dynamic Income Fund
December 2021

## FUND OBJECTIVE

The Fund aims to provide regular income by investing primarily in the Asia Pacific ex Japan region and at the same time aims to achieve capital appreciation over the medium to long-term.

## FUND DETAILS

| | | | |
|---|---|---|---|
| Launch Date | 13 February 2015 | Domicile | Malaysia |
| Currency | Ringgit Malaysia | Launch Price | RM1.0000 |
| Units in Circulation | 184.02 million units<br>(31 December 2021) | Fund Size | RM315.26 million<br>(31 December 2021) |
| Unit NAV | RM1.7131<br>(31 December 2021) | Dealing | Daily<br>(as per Bursa Malaysia trading day) |
| Fund Manager | Principal Asset Management Bhd | Target Fund | Principal Asia Pacific Dynamic Income Fund |
| Benchmark | 8% p.a. | Taxation | 8% of annual investment income |
| Risk Profile | Suitable for investors:<br>▪ Have a medium to long-term investment horizon<br>▪ Want a well-diversified portfolio of Asia Pacific ex Japan region<br>▪ Seek regular income<br>▪ Can accept that returns may fluctuate over the investment period | Fees | ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Asia Pacific Dynamic Income Fund.<br>▪ 1.8% pa of fund management charge is applied on the target fund's NAV by Principal Asset Management Bhd. |

## ASSET ALLOCATION OF THE TARGET FUND

| Equities (Foreign) | Equities (Local) | Cash |
|---|---|---|
| 92.92% | 2.46% | 4.62% |

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| SECTOR ALLOCATION OF THE TARGET FUND | |
|---|---|
| Information Technology | 26.86% |
| Financials | 15.81% |
| Industrials | 10.40% |
| Communication Services | 10.31% |
| Consumer Discretionary | 9.91% |
| Materials | 8.65% |
| Energy | 6.43% |
| Health Care | 5.51% |
| Real Estate | 1.50% |
| Cash | 4.62% |
| Total | 100.00% |

| TOP HOLDINGS OF THE TARGET FUND | |
|---|---|
| Taiwan Semiconducter Manuf (Taiwan) | 6.89% |
| Samsung Electronics Co. Ltd (South Korea) | 4.88% |
| Tencent Hldg Ltd (Hong Kong) | 4.88% |
| Reliance Industries Ltd (India) | 3.79% |
| Techtronic Industries Co (Hong Kong) | 3.56% |
| Li Ning Co. Ltd (Hong Kong) | 3.06% |
| LG Chem Ltd (South Korea) | 2.82% |
| DBS Group Hldg Ltd (Singapore) | 2.75% |
| HDFC Bank Ltd (India) | 2.50% |
| Hong Kong Exchanges & Clearing (Hong Kong) | 2.48% |
| Total | 37.61% |

## PERFORMANCE RECORD

This fund feeds into Principal Asia Pacific Dynamic Income Fund ("target fund") with the objective to provide regular income by investing primarily in the Asia Pacific ex Japan region and at the same time aims to achieve capital appreciation over the medium to long-term.

Table below shows the investment returns of Sun Life Malaysia Asia Pacific Dynamic Income Fund versus its benchmark as at 31 December 2021:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|---|---|---|---|---|---|---|---|
| **Fund*** | 3.06 | 0.28 | -4.70 | 3.06 | 41.11 | 59.61 | 71.31 |
| **Benchmark** | 8.00 | 0.66 | 3.96 | 8.00 | 25.97 | 46.93 | 70.32 |

** 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.**

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## FUND MANAGER'S COMMENTS

The Fund was up 0.28% in MYR terms in Dec, underperforming the absolute return benchmark by 38bps. YTD, the Fund is up 3.06%, underperforming the absolute return benchmark by 494bps.

The MSCI AC Asia Pacific ex Japan Index advanced by 1.7% in USD terms in December, but declined by 4.9% for the year 2021. China was the worst performing market for 2021, while India and Taiwan were the best performing markets. US Fed started tapering in November but turned more hawkish in December by accelerating the pace of tapering, with all the officials now expecting rate hikes in 2022. US Fed no longer believes that inflation is transitory and pointed to a tight labor market. Inflation may stay elevated for a while longer given strong demand and supply bottlenecks. Our view is that inflation may moderate into late 2022 as less stimulative fiscal & monetary policy feeds through, supply chains improve, and the trend of ageing demographics reassert. Covid cases globally are surging again but immunity levels are now probably greater than the previous Delta-induced peak in Jan-Feb '21 due to higher vaccination rates and prior infections. Our base case on Omicron is that it is more infectious but less lethal.

There are 3 key points on the outlook for Asian equity markets in 2022. Firstly, our view is that peak regulatory risk in China has passed, and the danger spots are well marked, lowering the risk of being blindsided. There could be more easing measures in the months ahead given pressures from the mini Covid outbreaks, weak labor markets and soft forward-looking indicators. But these are likely to be targeted and calibrated which means stock picking will likely trump a broad-based approach. Secondly, some stocks and sectors may have unique drivers which are less dependent on macro, e.g., electric vehicles, renewable energy, local sportswear brands, selective internet platforms where the investment cycle is not accelerating. Thirdly, valuations look undemanding considering an improving growth outlook. Economic growth for Asia Pacific ex-China should recover nicely post re-opening. FY2022 PE is at 14x and Asian EPS growth is forecast at 9% yoy. The portfolio is focused on quality firms with sustainable growth, pricing power and reasonable valuations. We will continue to position for quality growth from a diversified number of sectors and countries.

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## RISKS

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

| | |
|---|---|
| **Stock specific risk** | 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. |
| **Country risk** | 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. |
| **Liquidity risk** | Liquidity risk refers to the ease of liquidating an asset depending on the asset's volume traded in the market. If the target fund holds assets that are illiquid, or are difficult to dispose of, the value of the target fund will be negatively affected when it has to sell such assets at unfavourable prices. |
| **Currency risk** | 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 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. |
| **Credit and default risk** | 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 debt securities, money market instruments and/or place deposits. Credit risk relates to the creditworthiness of the securities issuers or counterparties and their expected ability to make timely payment of interest 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 debt securities, 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 (S) 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 debt securities. When interest rates rise, debt securities prices generally decline and this may lower the market value of the target fund's investment in debt securities. In managing the debt portfolio, Principal (S) takes into account the coupon rate and time to maturity of the debt securities with an aim to mitigate the interest rate risk. |
| **Risk associated with investing in CIS** | Since the target fund may invest entirely into CIS, there is a risk of concentration into CIS, in which the CIS's management company has absolute discretion over the CIS's investment technique and knowledge, operational controls and management. In the event of mismanagement of the CIS and/or the management company, the NAV of the target fund, which invests into those CIS would be affected negatively. Should the situation arise, Principal (S) will seek for another CIS that is consistent with the objective of the target fund. |
| **Risk of investing in emerging markets** | In comparison with investments in the developed markets, investment in emerging markets may involve a higher degree of risk due to the greater possibility of political or economic instability and societal tensions. Emerging markets are markets that are, by definition, "in a state of transition" and are therefore exposed to rapid political change and economic declines. The securities in the emerging markets may face a higher risk of price drop while the exchange rates in these emerging markets are generally more volatile than those of developed markets. As such, you should be aware that investments in emerging markets may be subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund's growth. Principal (S) will attempt to mitigate these risks through active asset allocation management and diversification, in addition to their continuous bottom-up and top-down research and analysis. |

***Source : Principal Asset Management Bhd***
***Date : 31 December 2021***



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