Sun Life Malaysia
Asia Pacific Dynamic Income Fund
December 2020

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	132.02 million units (31 December 2020)	Fund Size	RM219.45 million (31 December 2020)
Unit NAV	RM1.6622 (31 December 2020)	Dealing	Daily (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: ▪ Have a medium to long-term investment horizon ▪ Want a well-diversified portfolio of Asia Pacific ex Japan region ▪ Seek regular income ▪ 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. ▪ 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)	Cash
93.84%	6.16%

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SECTOR ALLOCATION OF THE TARGET FUND	
Information Technology	21.18%
Financials	17.36%
Industrials	15.06%
Consumer Discretionary	11.27%
Materials	9.49%
Energy	6.08%
Health Care	5.20%
Communication Services	4.96%
Consumer Staples	2.04%
Real Estate	1.21%
Cash	6.16%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND	
Samsung Electronics Co. Ltd (South Korea)	7.34%
LG Chem Ltd (South Korea)	5.24%
Tencent Hldg Ltd (Hong Kong)	4.96%
Taiwan Semiconducter Manuf (Taiwan)	4.44%
Alibaba Group Holding Ltd (Cayman Islands)	4.11%
AIA Group Ltd (Hong Kong)	3.85%
HDFC Bank Ltd (India)	3.78%
Reliance Industries Ltd (India)	3.38%
BHP Group Ltd (Australia)	3.03%
Techtronic Industries Co (Hong Kong)	2.99%
Total	43.12%

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 2020:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	18.86	4.78	24.67	18.86	23.17	64.41	66.22
Benchmark	8.00	0.64	3.92	8.00	25.97	46.93	57.68

** 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

The Fund was up 4.78% in MYR terms in December, outperforming the absolute return benchmark by 414bps. Sector wise, Technology and Industrials were the top contributors. YTD, the Fund is up 18.86%, outperforming the absolute return benchmark by 10.86 percentage points.

The MSCI AC Asia Pacific ex Japan Index jumped another 6.5% in USD terms in December, led by Korea, India and Taiwan and ending the year 2020 almost 20% higher. The USD also depreciated 6.7% for the year. Fueled by the news of several vaccines, the prospect of a rebound in economies and earnings is driving a rally across many different risk assets. Economic data continues to improve across the world, with most manufacturing PMIs above 50 in Asia. In 2021, the availability of vaccines will increase and this lends support to stronger markets in Asia as expectations of earnings recovery build. China, being the first one out of the pandemic, will continue to post strong GDP growth on the back of resilient domestic consumption and global trade resumption. Moreover, with central banks around the world committed to keeping interest rates low so as not to derail the economic recovery, liquidity will be ample, providing a tailwind for Asian equities in the next 12 months. Hence, we maintain our positive outlook on Asian equity markets. The main risks that could derail the positive fundamental outlook are (1) potential policy missteps such as premature lifting of stimulus measures, (2) slower take-up of vaccines and (3) slower than expected economic recovery. We remain positive on China and the more developed Asian economies and maintain our tilt to cyclical or economic sensitive names such as industrials and financials. We have reduced our exposure to Singapore and internet platforms in China and redeployed to financials given the view of global economic recovery. We are also starting to increase exposure to emerging markets such as India and Indonesia as growth broadens out. Our stock investments are geared towards companies benefiting from structural growth drivers such as green policies, e-commerce, cloud computing, internet of things, etc and quality companies which are long-term winners and have strong business moat.

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 2020