

FUND OBJECTIVE

To maximize capital growth over the medium to long-term through the stock market.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	27.50 million units (31 May 2022)	Fund Size	RM75.58 million (31 May 2022)
Unit NAV	RM2.7483 (31 May 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	FBM100
Taxation	8% of annual investment income	Fees	Management Fee: 1.5% p.a.
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> ▪ With a medium to long-term investment horizon ▪ Seek maximum capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains 	Other Charges	Inclusive of auditor fee & transaction charge

ASSET ALLOCATION OF THE FUND

Equities	Cash
Minimum 80% - 98%	Up to 20%

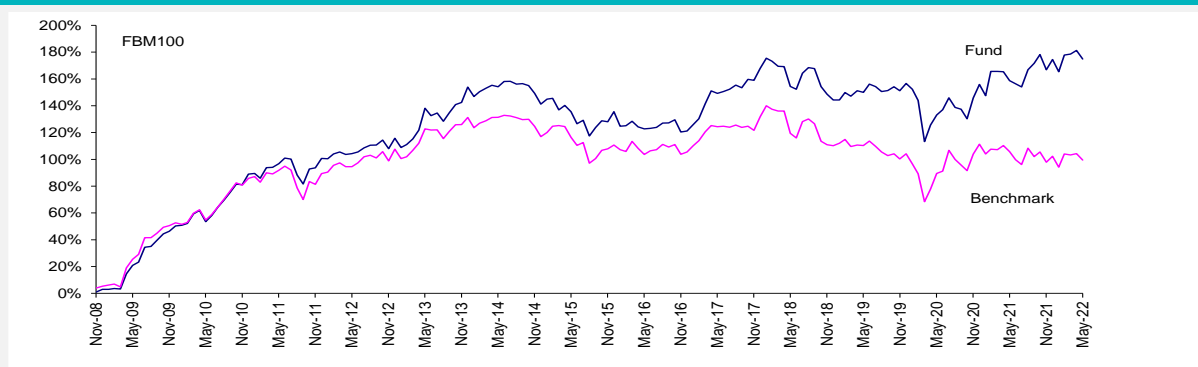
SECTOR ALLOCATION OF THE FUND

Financial Services	26.27%
Industrial Products & Services	15.95%
Consumer Products & Services	13.44%
Plantation	10.59%
Technology	8.05%
Health Care	4.67%
Energy	4.52%
Construction	3.67%
Transportation & Logistics	3.43%
Telecommunications & Media	2.65%
Property	0.39%
Cash	6.37%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

Malayan Banking Bhd	7.80%
Press Metal Aluminium Holding Bhd	6.25%
Petronas Chemicals Group Bhd	6.25%
CIMB Group Holdings Bhd	5.30%
Public Bank Bhd - Local	4.57%
Sime Darby Plantation Bhd	4.14%
Genting Malaysia Bhd	3.94%
Hong Leong Bank Bhd	3.81%
IHH Healthcare Bhd	3.79%
Kuala Lumpur Kepong Bhd	3.32%
Total	49.17%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	0.14	-2.27	6.24	9.95	10.25	34.54	174.83
Benchmark	-1.42	-2.36	-3.04	-5.17	-11.10	2.52	99.45

* 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

Market review

In May, the Fund down 2.27%, outperforming the benchmark by 9 basis points (bps). The outperformance was mainly due to the overweight in select Energy and Consumer Discretionary stocks as well as its underweight in Communication Services and Health Care.

Portfolio Strategy

FBMKLCI lost 30pts or 1.9% to 1,570pts in May despite the short month due to the Eid celebrations. Plantations (-9%), Healthcare (-6%) and Property (-6%) languished, while Energy (+8%) shined, fueled by elevated oil prices amidst the prolonged Russian-Ukraine conflict which has now entered its fourth month and EU's proposed ban on Russian oil. Performance of the other sectors were quite mixed.

Malaysia's manufacturing sector stagnated in May, with the PMI declined from 51.6pts in April to 50.1pts. New order growth eased sharply while output volumes were scaled back for the fifth consecutive month due to raw material shortages and rising prices. Renewed lockdown restrictions in China exacerbated supply chain disruptions, which had also led to a decline in input purchases. Consequently, employment dropped at the fastest pace since August 2020 due to limited supply of foreign workers with backlogs of work rising at the fastest pace in six months. Firms surveyed reported that they continue to pass on higher cost burdens to clients. That said, "Sentiment improved from April's eight-month low, amid hopes that the end of pandemic would encourage a full easing of restrictions", according to S&P Global.

Bank Negara maintained GDP growth forecast to 5.3-6.3% for 2022. Despite the re-opening of borders and businesses following the lifting of Covid-19 restrictions, the central bank expects some impact from the Russia-Ukraine conflict. Headline inflation is also projected to average higher between 2.2% and 3.2%. BNM raised OPR by 25bps to 2.00% in the recent MPC meeting. Economists now expect up to 50bps hike in 2H22, and a further 50bps in 2023. The monetary tightening will be dependent on the inflation print, which is now running hot on the back of surging commodity prices and persistent supply-chain issues. Malaysia's CPI rose 2.3% yoy in April, led mainly by higher food prices, up 4.1% versus the same period last year.

We now project 5% earnings growth for the FBM KLCI for 2022 but 17% growth excluding the Glove sector, and low-teens growth for 2023. We continue to see upside risks to these numbers, potentially from the Commodity space and tourism plays.

Despite May's sell-off, valuation has not turned overly compelling considering its proximity to the historical 10-year mean PE of 16.5x. We still see upside risk to corporate earnings, especially within the commodity space, but geopolitical risks abound with the Russian-Ukraine conflict, even domestically as Malaysia gears up for General Elections, speculated to be held in 2H22. We also consider potential policy misstep by the Fed with the interest lift-off soon to commence. As such, risk-reward appears to be in the balance. Nonetheless, dividend yield of c.4% is still attractive relative to the region.

We continue to adopt a balanced approach between value and growth, whilst maintaining adequate diversification. We are still overweight cyclical themes such as Consumer Discretionary but turning vigilant on Commodities. We turn constructive on Tech, especially those with structural growth at reasonable valuation following the huge sell-off. We continue to expect the market to trade sideways and see rotation from leaders to laggards. That said, our bottom-up fair value for the KLCI puts it firmly above 1,700pts. Key risks are derailment of Malaysia's macro recovery and corporate earnings growth due to a larger-than-expected impact of rising inflation, slower global economic growth as well as heightened geopolitical risks.

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>Stock 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 share 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>
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>The risk of loss of principal or loss of a financial reward stemming from counterparty's failure to repay a loan or otherwise meet a contractual obligation. This risk is primarily applicable to the liquid assets of this fund. 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 : 31 May 2022

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.