Sun Life Malaysia Balanced Aggressive Fund

February 2024

FUND OBJECTIVE

To provide a mixed exposure into equities and bonds, with higher allocation into equities.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	2.60 million units (29 February 2024)	Fund Size	RM6.23 million (29 February 2024)
Unit NAV	RM2.3979 (29 February 2024)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	75% FBM100 + 25% 12 month FD
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee
Risk Profile	Suitable for investors: ▪ Want a portfolio with higher exposure in equities ▪ Preference to higher equity exposure for potentially higher capital appreciation ▪ Need to reduce risk by investing in diversified bond portfolio ▪ Prefer investing in bonds to cushion fund volatility	Fees	The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges: ▪ Sun Life Malaysia Growth Fund: 1.5% p.a. ▪ Sun Life Malaysia Conservative Fund: 1.0% p.a. ▪ There are no other fund management charges on this fund

ASSET ALLOCATION

Sun Life Malaysia Growth Fund	Sun Life Malaysia Conservative Fund
75.00%	25.00%

WHERE THE FUND INVESTS

Sun Life Malaysia Growth Fund	Sun Life Malaysia Conservative Fund	Cash	Total
74.79%	25.00%	0.21%	100.00%

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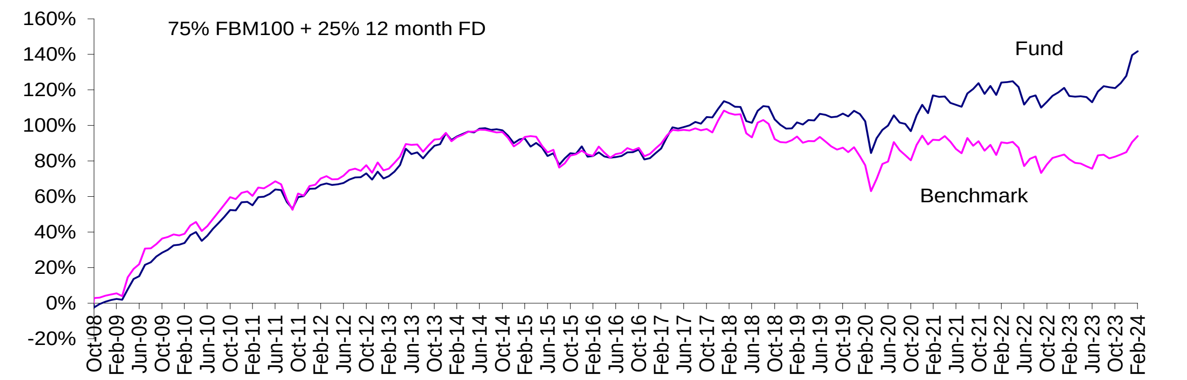
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	6.13	0.92	11.65	11.49	19.84	24.75	141.77
Benchmark	4.91	1.80	7.24	1.11	0.14	0.35	94.05

** 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

In February 2024, the Fund's performance increased by 0.92%, underperforming the benchmark by 0.88%.

KLCI's rally extended into February, up 2.5% for the month vs up 4% in January, closing the month at 1,551.44 pts. This marked the 5th consecutive month of gains, with Malaysia outperforming most ASEAN markets. This was also despite the stronger dollar following stronger-than-expected inflation and economic data out of the US, and bets on rate cuts by the Fed pushed back. Financials, Utilities, Commodities and Telcos topped the gainers list. Within the broader market, Energy did well, and Tech rebounded strongly.

Malaysia's manufacturing sector neared stabilization in February, with the PMI reading at 49.5pts vs 49 pts in January. According to S&P Global, both new orders and production levels moderated at a marginal pace amid reports that there were some pockets of demand building. Employment and backlogs also broadly stabilized. However, higher raw material prices and currency weakness added to firms' input costs but selling prices were raised only fractionally. Manufacturers remain optimistic that demand environment would improve and that price conditions would stabilize. The latest PMI suggests a modest improvement in 1Q24 GDP growth. To recap, BNM projects GDP to grow 4-5% in 2024, from an estimate of 3.8% in 2023.

We expect BNM to maintain OPR at 3.00% in the upcoming MPC meeting, as well as for the rest of the year given muted inflation and modest economic growth. Inflation was at 1.5% in January. There appears to be sufficient headroom to central bank's 2.1-3.6% CPI forecast for 2024 with the impending subsidy rationalization plans.

The Malaysian Government Securities ("MGS") yield curve bear flattened as front to mid end yields rose more than the long end yields amid weakness in both the US Treasuries and Ringgit. Overall sentiment in the market was dampened as the market reduced its expectations on the number of rate cuts by the Federal Reserve this year. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.47% (+3bps), 3.64% (+3bps), 3.77% (+4bps), 3.88% (+8bps), 4.02% (+4bps), 4.10% (+2bps) and 4.21% (-1bps), respectively in February.

The final GDP print showed 4Q2023 GDP growth at 3% YoY, lower than 3.4% indicated by the advance estimate. The full year 2023 GDP growth was thus revised to 3.7% as compared to the government's projection of 4-5% growth. Falling exports amid rising imports were the main cause of the downward revision. The decline in net exports deepened further to -35.6% YoY in 4Q (3Q: -22.7% YoY) arising from a larger drop in exports of goods and services (-6.3% YoY) as compared to imports (-2.9% YoY). Overall, the 2023, growth moderated due mainly to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies.

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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 Stock and/or 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 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.
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 : 29 February 2024