

Sun Life Malaysia Islamic Asia Pacific Equity Fund

February 2023



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 | 224.40 million units (28 February 2023) | Fund Size | RM307.97million (28 February 2023) |
| Unit NAV | RM1.3724 (28 February 2023) | Dealing | Daily (as per Bursa Malaysia trading day) |
| Fund Manager | Principal Asset Management Bhd | Target Fund | Principal Islamic Asia Pacific Dynamic Equity Fund |
| 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"> ▪ Have a long-term investment horizon ▪ Want a portfolio of investments that adhere to Shariah principles ▪ Want a well-diversified portfolio of Asia Pacific ex Japan regional equities ▪ Seek capital appreciation over long-term | Fees | <ul style="list-style-type: none"> ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Islamic Asia Pacific Equity Fund. ▪ Up to 1.8% pa fund management charge is applied on the target fund's NAV by Principal Asset Management Bhd. |

ASSET ALLOCATION OF THE TARGET FUND

| Equity | Collective Investments | Cash |
|--------|------------------------|-------|
| 93.70% | 0.77% | 5.53% |

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| SECTOR ALLOCATION OF THE TARGET FUND | |
|--------------------------------------|----------------|
| Information Technology | 32.48% |
| Energy | 11.73% |
| Materials | 11.53% |
| Consumer Discretionary | 9.68% |
| Industrials | 9.36% |
| Consumer Staples | 6.07% |
| Communication Services | 4.61% |
| Real Estate | 4.30% |
| Health Care | 3.94% |
| Collective Investments | 0.77% |
| Cash | 5.53% |
| Total | 100.00% |

| TOP HOLDINGS OF THE TARGET FUND | |
|---|---------------|
| Samsung Electronics Co. Ltd (South Korea) | 9.12% |
| Reliance Industries Ltd (India) | 7.90% |
| SK Hynix Inc (South Korea) | 7.80% |
| Samsung Electronics - PFD (South Korea) | 5.58% |
| Taiwan Semiconductor Manufacturing (Taiwan) | 4.34% |
| LG Chem Ltd (South Korea) | 3.36% |
| Shanghai International Airport (China) | 2.73% |
| Tencent Holdings Ltd (Hongkong) | 2.70% |
| Shell PLC (United Kingdom) | 2.56% |
| Alibaba Group Holding Ltd (Cayman Islands) | 2.50% |
| Total | 48.59% |

PERFORMANCE RECORD

This fund feeds into Principal Islamic Asia Pacific Dynamic Equity Fund ("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 28 February 2023:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|------|-------|-------|--------|---------|---------|-----------------|
| Fund* | 2.30 | -1.14 | -4.60 | -13.47 | 16.71 | 12.78 | 37.24 |
| Benchmark | 1.66 | -1.35 | -2.85 | -11.51 | 12.52 | 7.15 | 51.37 |

* 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

During the month, the Fund declined by 1.14% in MYR terms, outperforming the benchmark by 21 basis points (bps) mainly due to stock-picking in India.

Recent economic data in the US has questioned the magnitude of the disinflation trend given the strong labour market and inflation that declined slower than expected. The “peak” Fed Funds policy rate has been revised upwards by 50-75 bps of rate hikes this year. Much of the policy rate trajectory will depend on the inflation footprint. Nevertheless, our view is that Asian equities should be supported by China’s reopening, bottoming of the technology hardware cycle in Korea / Taiwan and light fund positioning.

Still early in its recovery phase, we are expecting China’s economic momentum to pick up throughout the year. The tailwinds of reopening and more pro-growth policies such as those observed in property and internet are still in place. We prefer domestic oriented companies that are more insulated from geopolitical tensions and where valuations are not demanding. We remain fully invested and positive on Asian equities. During the month, we added a consumer discretionary name in Chinese and Korean automaker at the expense of more defensive names. Off-benchmark stocks contribute ~35% to our Fund’s holdings.

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. |
| 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 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. |
| Risks associated with investment in warrants and/or options | 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. |
| Credit/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 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 : *28 February 2023*

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 contributions 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.