Sun Life Malaysia Equity Income Fund

February 2022

FUND OBJECTIVE

To provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

FUND DETAILS

Launch Date	20 May 2014	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	5.56 million units (28 February 2022)	Fund Size	RM9.16 million (28 February 2022)
Unit NAV	RM1.6478 (28 February 2022)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Titans Income Plus Fund
Benchmark	50% FBM100 Index + 50% MSCI AC Asia ex-Japan Index	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: ▪ Have a medium to long-term investment horizon ▪ Target capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains	Fees	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Equity Income Fund. ▪ Up to 1.5% per annum of fund management charge is applied on the target fund's NAV by Principal Asset Management Berhad.

ASSET ALLOCATION OF THE TARGET FUND

Equities (Local)	Equities (Foreign)	Cash
54.51%	36.06%	9.43%

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February 2022

SECTOR ALLOCATION OF THE TARGET FUND

Financials	30.67%
Consumer Discretionary	13.56%
Energy	8.47%
Consumer Staples	7.94%
Information Technology	7.60%
Materials	6.97%
Industrials	4.47%
Health Care	4.00%
Communication Services	3.44%
Real Estate	2.43%
Utilities	1.02%
Cash	9.43%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND

CIMB Group Holdings Bhd (Malaysia)	7.31%
Genting Bhd (Malaysia)	4.96%
Hong Leong Bank Bhd (Malaysia)	4.16%
Malayan Banking Bhd (Malaysia)	3.61%
Press Metal Aluminium Hldg Bhd (Malaysia)	3.44%
United Overseas Bank Ltd (Singapore)	3.40%
Genting Malaysia Bhd (Malaysia)	2.86%
Taiwan Semiconducter Manuf (Taiwan)	2.78%
Kuala Lumpur Kepong Bhd (Malaysia)	2.53%
IHH Healthcare Bhd (Malaysia)	2.35%
Total	37.40%

PERFORMANCE RECORD

This fund feeds into Principal Titans Income Plus Fund ("target fund") with the objective to provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

Table below shows the investment returns of Sun Life Malaysia Equity Income Fund versus its benchmark as at 28 February 2022:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	1.11	2.51	-2.40	-2.90	27.06	43.25	64.78
Benchmark	-1.92	1.49	-6.05	-7.24	6.55	10.31	26.21

** 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.

Sun Life Malaysia
Equity Income Fund
February 2022

FUND MANAGER'S COMMENTS

For the month, the fund rose +2.51% in MYR terms, outperforming the benchmark by +102bps. The outperformance of the month was driven by Financials, Consumer Discretionary and Real Estate.

FBMKLCI rallied +5.8%, benefited from the rally in commodities, further stoked by the Russian-Ukraine conflict exacerbating supply worries, while beneficiaries of higher interest rates such as Financials and reopening plays hogged the limelight.

Malaysia's manufacturing PMI edged up slightly to 50.9pts in February from 50.5pts the previous month. The reading suggests the economy was still expanding and for the fifth month running. Following the rally in February, valuations now look less compelling considering proximity to the historical 10-year mean PE of 16.5x. We see upside risk to corporate earnings, especially within the commodity space.

We continue to adopt a balanced approach, now with a larger tilt to value over growth, and maintain adequate diversification. Still OW Financial and cyclical themes such as Consumer Discretionary, as well as Commodities.

Asia: The MSCI AC Asia Pacific ex Japan Index further declined by 1.35% in USD terms in February, led by China and India while Thailand and Australia outperformed. The Russia-Ukraine conflict led to a market selloff. The US 10-year bond yield rose by about 5bps to 1.825% during the month and Brent oil exceeded US$100/bbl on the back of the invasion.

The geopolitical conflict has taken center stage and the consequences of roaring commodities prices for companies, inflation and end consumer demand are key issues for the market. Hence these uncertainties are likely to continue to weigh on markets and volatility will ensue. For China, we continue to expect the government to roll out targeted measures to support growth, especially post the NPC meeting.

For the above reasons, we are neutral on Asian equities over a 3-month horizon. Amidst the heightened volatility and risks, we are diversifying concentration of factors and reducing risks where appropriate. We will continue to focus on quality companies which have good earnings visibility, robust balance sheet, long term winners, market share gainers and those with pricing power to overcome cost pressures.

Sun Life Malaysia Equity Income Fund
February 2022

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.
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. We aim 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.
Interest rate risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments and money market instruments. When interest rates rise, debt instruments and money market instruments prices generally decline and this may lower the market value of the target fund's investment in debt instruments and money market instruments. In managing the debt instruments, we take into account the coupon rate and time to maturity of the debt instruments with an aim to mitigate the interest rate risk. As for money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike debt instrument, any change to interest rate will only have a minor impact to the prices of these instruments.
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 in. 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.

Sun Life Malaysia
Equity Income Fund
February 2022

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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.
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 subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund’s growth. We attempt to mitigate these risks through active asset allocation management and diversification across different countries and sectors, in addition to our continuous bottom-up and top-down research and analysis.
Risks associated with investment in warrants	There are inherent risks associated with investment in warrants. The value of warrants is 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 warrants accelerates as it approaches its expiry date. Like securities, we will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.

Source : Principal Asset Management Bhd
Date : 28 February 2022