

# Sun Life Malaysia Growth Fund

January 2024



## 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	28.31 million units (31 January 2024)	Fund Size	RM84.56 million (31 January 2024)
Unit NAV	RM2.9866 (31 January 2024)	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	Suitable for investors: <ul style="list-style-type: none"><li>With a medium to long-term investment horizon</li><li>Seek maximum capital appreciation</li><li>Do not require regular income</li><li>Comfortable with higher volatility</li><li>Willing to take higher risk for potential higher gains</li></ul>	Other Charges	Inclusive of auditor fee & transaction charge

## ASSET ALLOCATION OF THE FUND

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

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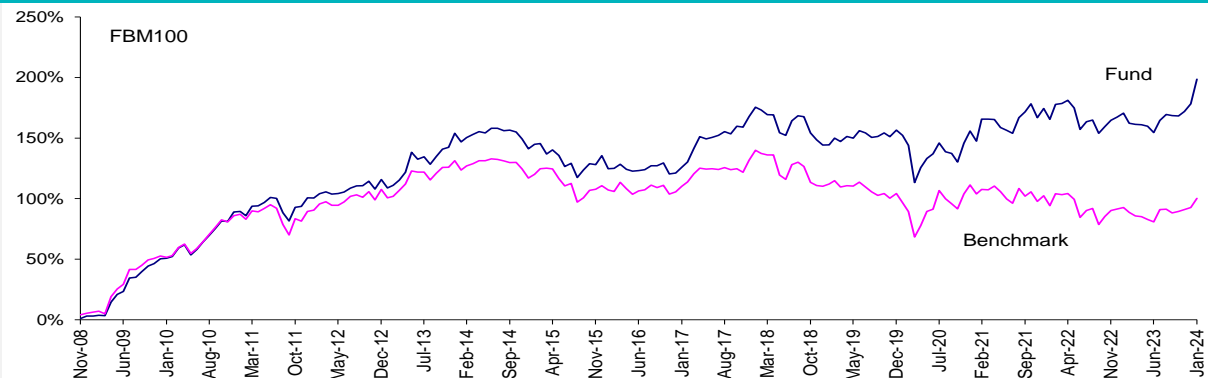
## SECTOR ALLOCATION OF THE FUND

Financial Services	22.09%
Utilities	13.49%
Technology	9.29%
Health Care	9.14%
Energy	8.10%
Industrial Products & Services	7.37%
Construction	6.11%
Transportation & Logistics	5.56%
Consumer Products & Services	4.00%
Property	3.95%
Telecommunications & Media	3.46%
Plantation	2.67%
Cash	4.77%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.43%
Public Bank Bhd - Local	6.85%
Malaysia Airports Holding Bhd	5.56%
Tenaga Nasional Bhd	5.44%
YTL Power International Bhd	5.21%
Malayan Banking Bhd	5.14%
Hartalega Holdings Bhd	4.46%
Inari Amertron Bhd	3.14%
YTL Corp Bhd	2.84%
Frontken Corp Bhd	2.81%
<b>Total</b>	<b>48.88%</b>

## PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	7.31	7.31	10.38	20.66	22.24	20.96	198.66
<b>Benchmark</b>	3.99	3.99	3.99	-1.81	-5.56	-10.45	100.29

\* 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 January 2024, the Fund increased by 7.31%, outperforming the benchmark by 332 basis points (bps). The outperformance was mainly due to the fund's overweight in Utilities, Real Estate, Energy, Health Care and Industrials as well as its underweight in Materials and Consumer Staples.

### Portfolio Strategy

KLCI was up 4% or 58.3pts in January, closing the month at 1,512.98 pts. This marked the 4th consecutive month of gains, with Malaysia outperforming most ASEAN markets. Sentiment was lifted by Fed's communication on interest rates given the recent cooling inflation and economic data out of the US. The weaker Dollar and lower treasury yield that ensued favored EM. Utilities, Commodities, Telcos and Financials topped the gainers list. Within the broader market, Energy, Construction and Property did well, while Tech languished despite the sentiment on Fed rates.

Malaysia's PMI rose to a 16-month high of 49 pts versus 47.9 pts in December. According to S&P Global, overall optimism of Malaysian manufacturers picked up amid signs of demand improvement. Output and new orders moderated only modestly, while firms also saw smaller reductions in new export orders and backlogs. Notably, firms also reported further softening in price pressures, while job shedding was minimal. Manufacturers remain optimistic of demand conditions over the course of the next 12 months. The latest PMI suggests a slight pickup in GDP growth. To recap, BNM projects GDP to grow 4-5% in 2024, from an estimate of 3.8% in 2023.

BNM maintained OPR at 3.00% in recent MPC meeting. We expect the OPR to maintain in 2024 given muted inflation and modest economic growth. Inflation was at 1.5% in December, significantly undershooting BNM's revised target of 2.5-3.0% for 2023. Given the low base, there appears to be sufficient headroom to central bank's 2.1-3.6% CPI forecast for 2024 with the impending cut back in subsidies.

Malaysia's equity market valuation remains compressed with forward PE of 13.5x, which is still ~1.5SD below the historical mean. This is based on consensus earnings growth of 11% for 2024 and 6% for 2025. More clarity on the new Government's policy posture, in our view, should reduce the current extreme risk premiums applied to the market (yield gap of ~370bps). We are also hopeful that the newly launched National Energy Transition Roadmap (NETR) by the government would revitalize domestic investment and buoy consumption.

We see prospect for the KLCI to rise to 1,600 pts by end-2024. We identify 4 key catalysts that could spur the market: 1) Fed pivot and further weakness in the Dollar, 2) Reallocation of portfolio investments domestically, 3) Lower risk premiums as a result of fiscal consolidation and policy continuity and 4) Corporate earnings sustaining with growth re-accelerating.

We continue to be positive on the market. We make no changes to our key preferred sectors and remain constructive on sectors that stand to gain from the NETR, including Utilities, Construction, and Property. Additionally, we remain optimistic on selective Technology due to the ongoing structural growth trends in the sector. We have also become more optimistic about selective Financials as we expect positive momentum to persist in 2024, primarily fueled by better earnings outlook. Key risks are the derailment of Malaysia's macroeconomic recovery and corporate earnings growth due to the larger-than-expected impact of rising inflation, slower global economic growth, and heightened geopolitical risks.

**RISKS**

All investment carries some form of risks. The potential key risks include but are not limited to the following:

<b>Market risk</b>	<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"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <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>
<b>Company or security specific risk</b>	<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>
<b>Credit risk</b>	<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 January 2024*

**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.