

### 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	25.91 million units (29 May 2020)	Fund Size	RM60.41 million (29 May 2020)
Unit NAV	RM2.3312 (29 May 2020)	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"> <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%

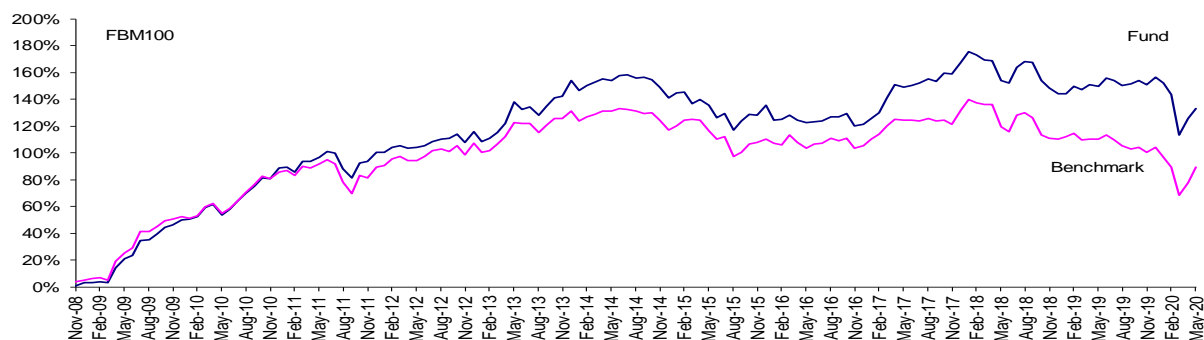
### SECTOR ALLOCATION OF THE FUND

Financial Services	20.01%
Consumer Products & Services	10.26%
Health Care	9.70%
Telecommunications & Media	8.90%
Technology	7.28%
Utilities	7.18%
Construction	6.52%
Plantation	6.08%
Industrial Products & Services	5.33%
Transportation & Logistics	4.16%
Energy	3.43%
REIT	2.46%
Property	1.75%
Cash	6.93%
<b>Total</b>	<b>100.00%</b>

### TOP HOLDINGS OF THE FUND (EQUITIES)

Malayan Banking Bhd	7.47%
Public Bank Bhd - Local	6.55%
Tenaga Nasional Bhd	6.29%
Hartalega Hldg Bhd	3.64%
RHB Bank Bhd	3.44%
IHH Healthcare Bhd	3.34%
Gamuda Bhd	3.04%
Petronas Chemicals Group Bhd	2.97%
Sime Darby Plantation Bhd	2.90%
Axiata Group Bhd	2.87%
<b>Total</b>	<b>42.51%</b>

### PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>Fund*</b>	-9.16	3.33	-6.74	-6.49	-1.05	51.79	133.12
<b>Benchmark</b>	-7.21	6.57	-9.93	-15.57	-12.48	22.37	89.44

\* 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 was up 3.33%, underperforming the benchmark by 3.24%. Underperformance came mainly from the underweight in gloves. Year-to-date, the fund is down -9.16%, underperforming its benchmark by 1.95%.

KLCI gained 4.65% in May, outperforming the markets in the region (vs MSCI ASEAN +1.3%). The positive performance was driven entirely by glove stocks as Hartalega and Top Glove gained 65% and 83% respectively during the month on the back of rising ASP amid tight global supply of medical gloves. Excluding the glove stocks, the benchmark index would have been flat in May. 1Q20 GDP growth fell sharply to 0.7% (4Q19: 3.6%) as the impact of the global pandemic and the subsequent lockdown severely impacted macroeconomic conditions. Exports fell sharply by 7.1% due to global supply chain disruption following lockdowns. Gross fixed capital formation fell 4.6% as businesses and government curtailed investment spending given uncertain outlook. This was exacerbated by the collapse in crude oil price. We expect the worse is yet to come as the full impact of nationwide lockdown during the Movement Control Order (MCO) from 18 Mar will be felt in 2Q. YTD, consensus 2020 and 2021 EPS have been cut by 23% and 15% respectively as corporate earnings start to bear the brunt of Covid-19. 1Q20 earnings season has been dismal so far and we believe the worse is yet to come as the full impact of the MCO will only be felt in 2Q20. Therefore, despite KLCI EPS projected to contract 19% in 2020, we believe the downward earnings revision cycle is not over yet. Consensus is also rather optimistic that EPS will rebound significantly by 19% in 2021, led by banks and gaming sectors.

### Portfolio Strategy

KLCI is currently trading at 2020 and 2021 PE of 19.7x and 16.6x respectively which are well above its 10-year mean valuation of 15.4x. However, excluding the glove sector, KLCI is trading at 2020 and 2021 PE of 18.3x and 15.3x respectively. This suggests that consensus is looking beyond 2020 for recovery post-Covid-19. As 2021 PE of 15.3x (excluding glove) is in line with historical mean, it also seems that earnings rebound have been priced in. That said, the capital market is flushed with liquidity now following coordinated interest rate cuts by central banks while governments try to revive their economies with massive fiscal stimulus. Despite elevated equity valuation, equity risk premia are not excessive following the sharp decline in risk-free rates. In Malaysia, equity risk premium of 2.72% is in line with historical mean. But excluding glove stocks, Malaysia equity risk premium is at 3.13% which suggests equity valuation is not excessive in current environment where interest rate is expected to be lower for longer. Given the distortion caused by the sharp rally in glove stocks which have further room to rally, we now switch to bottom-up valuation to derive our new KLCI target of 1,530. As such, we are taking a more **neutral** stance on the Malaysia equity market. Given the prevalent expectation of swift earnings rebound in 2021, we believe there is still downside earnings risk going forward. As such, we should still be looking to take a prudent stance by investing in companies with strong balance sheet and resilient earnings while deploying some capital to buy selective value stocks as proxy for post-pandemic recovery.

Source : *Principal Asset Management Bhd*

Date : *29 May 2020*

#### **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.