Sun Life Malaysia
Balanced Aggressive Fund
March 2021

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	3.00 million units (31 March 2021)	Fund Size	RM6.43 million (31 March 2021)
Unit NAV	RM2.1425 (31 March 2021)	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
74.93%	25.06%	0.01%	100.00%

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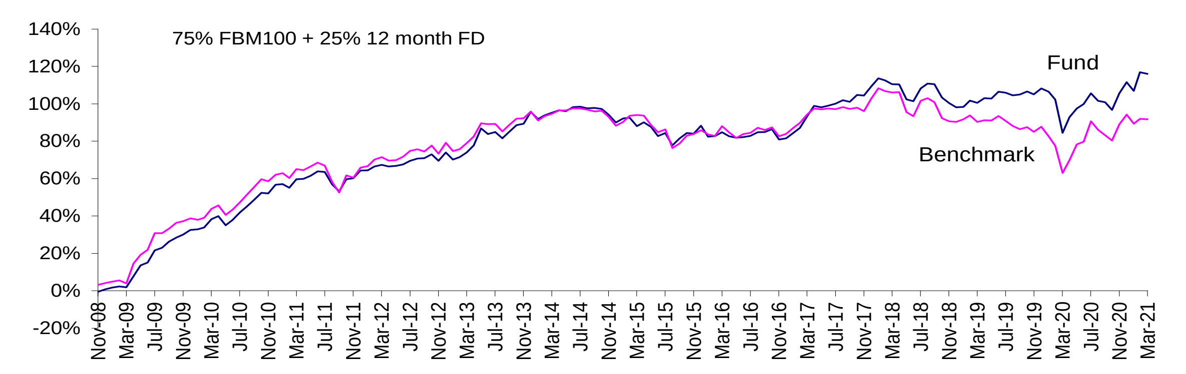
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	2.11	-0.38	17.11	2.61	16.86	35.34	116.02
Benchmark	-1.32	-0.10	17.62	-6.98	1.95	16.18	91.73

** 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 March 2021, the Fund's performance decreased by 0.38%, underperforming the benchmark by 0.28%.

Bank Negara in the recent release of its Annual Report pegs 2021 GDP growth at 6.0-7.5% premised on improved external demand driven by the tech upcycle and containment of Covid19 – daily cases now at low 1,000s versus over 3,000 in February - and with vaccination roll-out well underway. Labor market is improving with strong policy support for businesses and households. There is expectation of a spike in inflation of 2.5-4.0% but the central bank expects to maintain an accommodative monetary policy. Malaysia's manufacturing PMI rose to 49.9 in March from 47.7 in February. These are all promising indicators. Malaysia corporate earnings for 4Q2020 showed a modest beat and resulted in a slight upgrade of 2021 KLCI earnings. We saw sustained growth in Tech and Gloves, higher commodity prices which benefitted Petrochem and Plantations, and improved sales from the relaxation of movement controls driving Autos. Financials, Utilities, O&G and Construction posted weaker results overall but they (except for Construction) largely met or beat expectations. Unfortunately, KLCI earnings for 2022 were cut by ~2%, largely due to Gloves. Consensus now projects KLCI earnings to grow 48% in 2021 but close to zero in 2022, from a 13% contraction in 2020. Excluding gloves, earnings growth for 2021 and 2022 are 39% and 16% respectively. The FBMKLCI currently trades at a forward PE of c.15x for 2021 and 2022, ex-Gloves 18.1x and 15.6x respectively. We lower our KLCI target from 1,730pts to 1,670pts, which now represents 5% upside from current level or 2.6% ytd. This is based on a target yield gap of 280bps which is +0.5SD pre-Covid19 mean of 250bps to partly factor in political risks, and assuming Malaysia 10yr MGS rises to 3.5% (vs 3.15% currently); this implies an earnings yield of 6.3% or a PE of 16x.

For domestic economic data, BNM stands pat on OPR and note that global recovery is gaining momentum, and risk to growth have abated slightly, but still tilted to the downside. MPC expects headline CPI to temporarily spike in 2Q2021, before smothering out in 2H2021. On fiscal space, the latest RM20bn stimulus package (including RM11bn one-off direct fiscal spending) is projected to raise the 2021 fiscal deficit to 6% of GDP (from official guidance 5.4%). In our view, we believe the additional spending is required to secure 2021 projected growth at 6.0 – 7.5% after the introduction of MCO2.0 in 1Q21. BNM released 2020 annual report and keep the growth range unchanged at 6.0 – 7.5% for 2021, reflecting its confidence in fiscal and other non-monetary support measures. While headline inflation may spike to above 5% in 2Q21, BNM expects this to be transitory and full year inflation is still within acceptable levels of 2.5 – 4.0%. Risk to 2021 growth remains tilted to downside, mainly from pandemic-related factors. From the report, we believe negative output gap will likely last until end of 2021 and the earliest timeline for BNM to move interest rate higher is in 1H2022.

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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 : 31 March 2021