Sun Life Malaysia Growth Fund

March 2022

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	27.28 million units (31 March 2022)	Fund Size	RM75.99 million (31 March 2022)
Unit NAV	RM2.7858 (31 March 2022)	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: ▪ With a medium to long-term investment horizon ▪ Seek maximum capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains	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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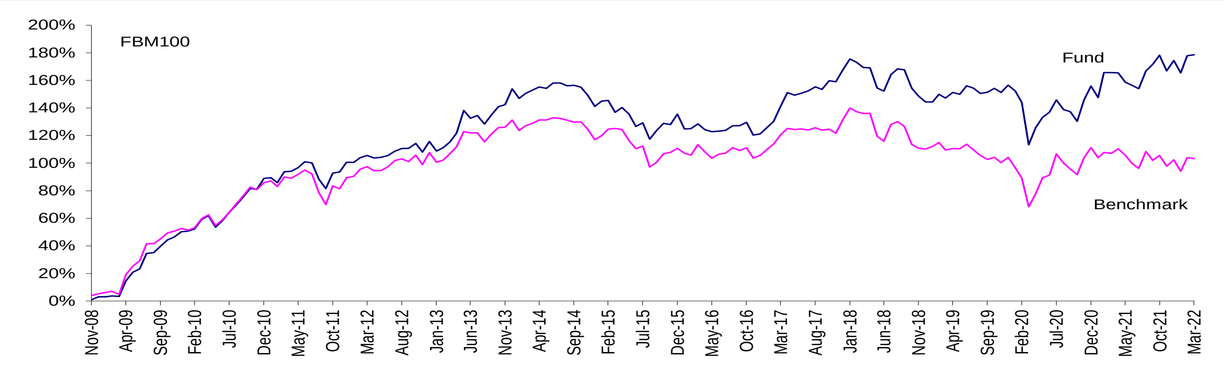
Sun Life

SECTOR ALLOCATION OF THE FUND	
Financial Services	32.15%
Industrial Products & Services	15.47%
Consumer Products & Services	11.66%
Plantation	9.16%
Technology	8.65%
Health Care	4.55%
Energy	3.79%
Construction	3.63%
Telecommunications & Media	2.23%
Transportation & Logistics	1.29%
Property	0.58%
Cash	6.84%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)	
Malayan Banking Bhd	7.62%
Press Metal Aluminium Holding Bhd	6.96%
Public Bank Bhd - Local	5.99%
CIMB Group Holdings Bhd	5.46%
Petronas Chemicals Group Bhd	5.06%
AMMB Holdings Bhd	4.66%
RHB Bank Bhd	4.42%
Hong Leong Bank Bhd	4.00%
Sime Darby Plantation Bhd	3.93%
Genting Malaysia Bhd	3.68%
Total	51.78%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.51	0.27	4.86	12.70	15.39	35.54	178.58
Benchmark	0.46	-0.36	-1.91	-2.99	-7.83	2.97	103.27

** 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

Market review

In March, the Fund rose 0.27%, outperforming the benchmark by 63 basis points (bps). The outperformance was mainly due to the underweight in Communication Services, Consumer Staples and Utilities as well as its overweight in Industrials.

Portfolio Strategy

FBMKLCI fell 20.9 points or 1.3% in March as profit-taking set in given the index proximity to the psychological 1,600pts level. Construction was the largest gainer driven by anticipation of a revival in jobs, followed by Telcos and Financials. Tech bounced as investors acclimatized with Fed interest rate hikes, which saw its first lift-off of 25bps. Tourism plays also saw interest with the 1 April border reopening. Commodities (Plantations, Energy and Alum/Steel) corrected following the strong rally in the previous month stoked by the Russian-Ukraine conflict.

Malaysian manufacturers reported a near-stagnation of operating conditions. Headline manufacturing PMI fell from 50.9pts in February to 49.6pts – the last time the reading was below 50 was in Sept 2021. New orders and output moderated for the third month running and at faster rates. Firms attributed weakening demand conditions to rising Covid-19 cases and higher input prices, with manufacturing capacity constrained by supply shortages, more recently exacerbated by the Russia-Ukraine war. Higher input costs have also prompted businesses to raise output charges at the sharpest rate since April 2021.

Bank Negara trimmed GDP growth forecast to 5.3-6-3% for 2022, from 5.5-6.5% previously. Despite the re-opening of borders and businesses following the lifting of Covid-19 restrictions, the central bank expects some impact from the Russia-Ukraine conflict. Headline inflation is also projected to average higher between 2.2% and 3.2% (versus 2.1% previously). It maintained the OPR at 1.75% in the recent MPC meeting but we expect a 25bps hike in 2H22, and 25bps in 2023. The monetary tightening will be dependent on the inflation print, which is now running hot on the back of surging commodity prices and persistent supply-chain issues.

Following recent upgrades, we now project flat earnings for the FBM KLCI for 2022 but 13% growth excluding the Glove sector. We continue to see upside risks to these numbers, potentially from the Commodity space (Plantation and Energy) and tourism plays.

Valuation appears less compelling considering its proximity to the historical 10-year mean PE of 16.5x. We still see upside risk to corporate earnings, especially within the commodity space, but geopolitical risks abound with the Russian-Ukraine conflict, even domestically as Malaysia gears up for General Elections, speculated to be held in 2H22. We also consider potential policy misstep by the Fed with the interest lift-off soon to commence. As such, risk-reward appears to be in the balance. Nonetheless, dividend yield of c.4% is still attractive relative to the region.

We continue to adopt a balanced approach, now with a larger tilt to value overgrowth, and maintain adequate diversification. Whilst we still overweight cyclical themes such as Consumer Discretionary, as well as Commodities, we have turned neutral on financials after the strong performance YTD. We continued to trim expensive tech whilst remain invested in decent valued tech names with structural growth. Lastly, on gloves sector, we have turned less negative due to the valuations, but we are not overly excited on them as we expect earnings have not bottomed. In our opinion, the market will likely gyrate around the 1,600pts level, see rotation from leaders to laggards, and could breakout once geopolitical risks abate. Our bottom-up fair value for the KLCI puts us above 1,700pts. Key risks are derailment of Malaysia's macro recovery and corporate earnings growth due to a more severe impact of new Covid-19 variants and heightened geopolitical risks, and larger-than-expected impact of rising inflation leading to stagflation.

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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 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.
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	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.

Source : Principal Asset Management Bhd
Date : 31 March 2022