

## 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	24.75 million units (28 February 2020)	Fund Size	RM60.37 million (28 February 2020)
Unit NAV	RM2.4394 (28 February 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%

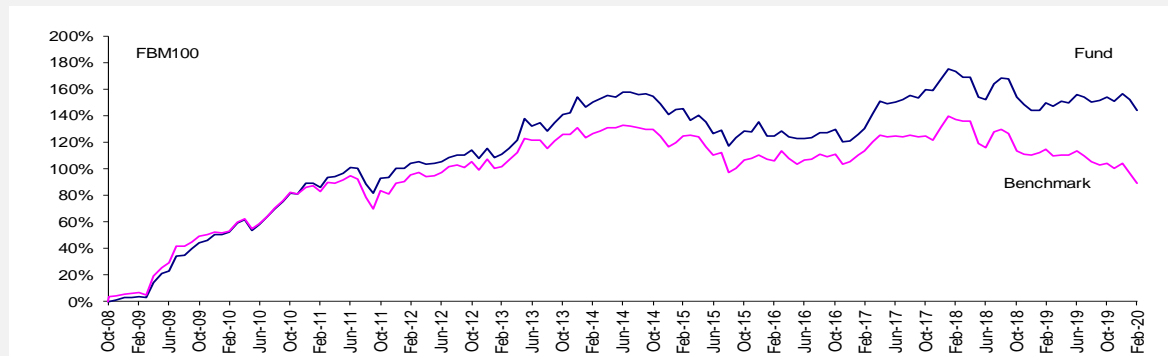
### SECTOR ALLOCATION OF THE FUND

Financial Services	24.36%
Consumer Products & Services	9.92%
Telecommunications & Media	9.08%
Utilities	7.58%
Plantation	7.27%
Construction	6.81%
Industrial Products & Services	6.37%
Energy	6.35%
Health Care	6.13%
Transportation & Logistics	4.15%
Technology	3.83%
REIT	3.27%
Property	1.99%
Cash	2.89%
Total	100.00%

### TOP HOLDINGS OF THE FUND (EQUITIES)

Malayan Banking Bhd	7.23%
Tenaga Nasional Bhd	6.69%
CIMB Group Holdings Bhd	5.65%
Public Bank Bhd- Local	4.81%
RHB Bank Bhd	4.00%
Digi.com Bhd	3.54%
IHH Healthcare Bhd	3.50%
Press Metal Aluminium Hldg Bhd	3.09%
Genting Malaysia Bhd	3.01%
Axiata Group Bhd	2.85%
Total	44.37%

### PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>Fund*</b>	-4.94	-3.30	-2.38	5.95	-0.64	60.27	143.94
<b>Benchmark</b>	-7.32	-3.76	-11.94	-11.52	-15.80	23.70	89.21

\* 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.**

## FUND MANAGER'S COMMENTS

### Market review

In February, the fund was down -3.30%, outperforming its benchmark by 0.46%. Outperformance came mainly from the underweight in financials, consumer and overweight in some key REITs (e.g. KLCCP, Axis REIT). At the stock level, the overweight in BAT, Econpile and zero weight in Air Asia, Genting Bhd and Inari were key contributors. Year-to-date, the fund is down -4.94%, outperforming its benchmark by 2.38%.

KLCI declined 3.2% in Feb (YTD: -6.7%) amid concerns over uncertainty in domestic politics and Covid-19 outbreak. Further compounding the poor equity performance was another set of lacklustre corporate results. 23 of the KLCI component stocks registered losses as compared to only 5 gainers during the month. The benchmark index was mainly dragged by declines in Public Bank (-8.1%), Petronas Chemical (-12.8%) and Tenaga (-2.9%). Political uncertainty engulfed Malaysia again following the shocked resignation of Tun Dr Mahathir as prime minister after losing a majority support in the parliament. However, the uncertainty of not having a functioning federal government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the parliament. This was achieved following the forming of a coalition by Bersatu, UMNO and PAS. While the forming of a cabinet in the coming days will further lift uncertainty, the new coalition government will likely need to survive an expected no-confidence vote when the parliament reconvenes as the Pakatan Harapan coalition led by Tun Dr Mahathir insists that it has also garnered a majority support. As such, market risk premium will likely increase in the near term given the policy and regulatory risks. In his last act as interim prime minister, Tun Dr Mahathir unveiled a RM20bn stimulus package to mitigate the adverse economic impact from the Covid-19 outbreak. This encompasses a cut in employees' EPF contribution from 11% to 7% which is expected to release RM10bn into the economy and fast-tracking planned spending including the Bantuan Sara Hidup subsidy for the B40 households. Measures were also announced to provide relief to sectors directly affected by the Covid-19 outbreak particularly in the hospitality and travel industries. He further lowers Malaysia GDP growth forecast in 2020 from 4.8% to 3.2-4.2% while raising the fiscal deficit target from 3.2% to 3.4%. While these measures will provide relief to the affected sectors as well as the broader economy, much will depend on whether the new government will re-affirm these measures going forward. Against the backdrop of a disappointing 4Q19 GDP growth of 3.6% (vs 4.1% street expectation) and a weaker PMI reading of 48.5 in Feb, BNM has followed through with its second interest rate cut this year as it lowers the Overnight Policy Rate (OPR) by 25 bps to 2.50% in its March's MPC meeting. The central bank continues to take pre-emptive measure to support the economic growth trajectory amid slower growth outlook due to the Covid-19 outbreak and weak commodity markets. Given the benign inflationary outlook and growth risk, we believe BNM has further headroom to ease monetary policy to support growth. Corporate earnings continued to disappoint in 4Q19 mainly dragged by the aviation, petrochemical and auto sectors. Post earnings season, KLCI earnings growth estimate for 2020 has been lowered to 4.0% which is underpinned by growth in plantation, utilities, petrochemical and shipping sectors.

### Portfolio Strategy

After two consecutive years of net outflow and underperformance, Malaysian equity valuation is undemanding although there is risk of further earnings downgrade due to NIM compression on banks' earnings and Covid-19. We assess the downside risk of KLCI at 1,450 (pegged to -2SD PE of 15x). As such, we will BUY on weakness and maintain our barbell approach on high yield stocks and take the opportunity to accumulate selective stocks within the consumer staples, plantation, healthcare, energy and REIT sectors.

Source : *Principal Asset Management Bhd*

Date : *28 February 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.