

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	28.05 million units (30 December 2022)	Fund Size	RM75.00 million (30 December 2022)
Unit NAV	RM2.6735 (30 December 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	<p>Suitable for investors:</p> <ul style="list-style-type: none"> ▪ 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%

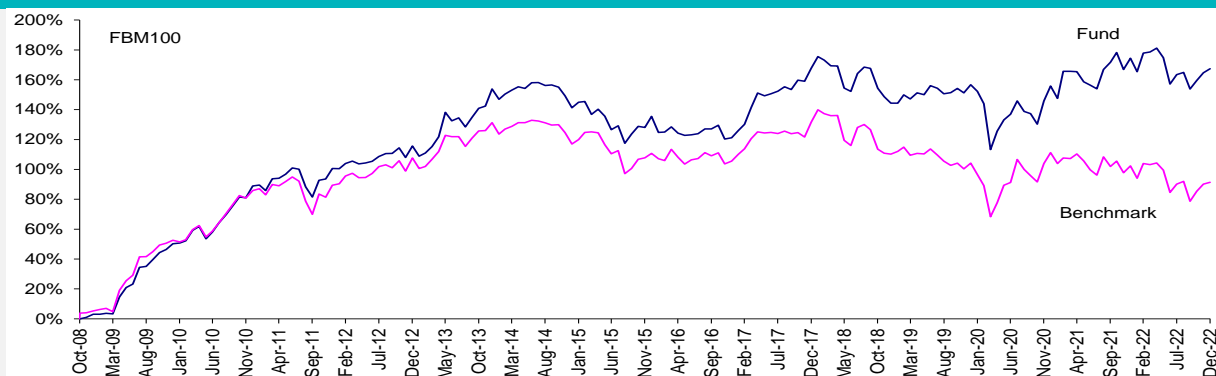
SECTOR ALLOCATION OF THE FUND

Financial Services	28.91%
Consumer Products & Services	13.66%
Industrial Products & Services	9.83%
Technology	8.56%
Plantation	7.28%
Transportation & Logistics	4.98%
Utilities	4.70%
Energy	4.20%
Health Care	3.52%
Construction	3.28%
Telecommunications & Media	3.05%
Cash	8.04%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.29%
Public Bank Bhd - Local	7.04%
Malayan Banking Bhd	6.90%
Tenaga Nasional Bhd	4.70%
Petronas Chemicals Group Bhd	4.00%
Genting Malaysia Bhd	3.94%
Genting Bhd	3.33%
Sime Darby Plantation Bhd	3.06%
Telekom Malaysia Bhd	3.05%
Press Metal Aluminium Holding Bhd	3.03%
Total	46.33%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-2.58	0.99	-2.58	4.18	-0.17	23.95	167.35
Benchmark	-5.40	0.65	-5.40	-6.25	-17.40	-7.81	91.40

* 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 December, the Fund rose 0.99%, outperforming the benchmark by 34 basis points (bps). The outperformance was mainly due to the fund's underweight in Communication Services, Consumer Staples and Health Care as well as stocks selection in Financials, Industrials and Materials. On YTD 2022, the Fund down 2.58%, outperforming the benchmark by 282 bps.

Portfolio Strategy

FBMKLCI rose 6.7 pts and ended the year at 1,495 pts, aided by year-end window-dressing and optimism over China's reopening come 8th January 2023. However, these were negated by renewed fears of a US recession with concerns of inflation staying higher for longer and as the pace of US Fed rate hikes starts taking a toll on the economy. Recent Institute for Supply Management (ISM) data showed an unexpected rise in services industry in November while employment and wage growth remain robust, albeit US home prices fell for the fourth month running. Commodities (mainly Plantation +5%), Transport (+5%; mainly MISC), Healthcare (+7%) and Utilities (+2%) were among the key gainers for the month, while Tech and Telcos languished.

Malaysia's PMI was 47.8pts in December, down slightly from 47.9pts in November, representing the fourth straight month of contraction. Weak demand continues to contribute to moderations in output and order books. Consequently, companies trimmed buying and lowered inventories levels. Employment had also softened for the second time in the past three months. Encouragingly, cost and supply pressured eased further – input cost inflation slowed to a 31-month low while output cost fell for the first time since May. According to S&P Global, firms remained hopeful that demand conditions would normalize over the coming year.

During the Budget 2023 announcement, Malaysia's GDP growth forecast for 2022 was revised upwards to 6.5-7.0% from of 5.3-6.3% previously, and headline inflation raised to 3.3%. The government expects GDP growth to decelerate to 4-5% in 2023. Budget 2023 was expansionary, and the government remains on a gradual fiscal consolidation path. BNM raised OPR by another 25bps in its recent MPC meeting, translating to a cumulative hike of 100bps for the year. Malaysia's CPI increased 4% in November, the same rate as October, with food and non-alcoholic beverages the main contributors.

Domestic political uncertainties have amplified the effects of global macroeconomic and geopolitical headwinds, resulting in Malaysia's equity market valuations being extremely compressed. Valuation at 13x forward PE is still at over -2SD below the historical mean. This is based on consensus earnings growth 10% growth for 2023 and 5% for 2024; this is after glove names removed and AMMB and QL added to the FBM30 post-December rebalancing. Beyond the initial celebratory rally, there needs to be some clarity on the policy direction of the new Government, hopefully via a new Budget 2023 that is slated to be proposed soon. That said, risk premiums should fall over time as some of these concerns abate. Malaysia should also play catch-up to recent positive shift in global investor sentiment on the back of easing monetary tightening measures and China's reopening.

Given the recent positive market momentum as well as the prospects of reduced risk premium and upside in valuation, we are cautiously positive on Malaysia. We would continue to focus on companies with firm fundamentals, strong cash flows generation and defensive in nature. We see opportunity in select Technology and tourism related stocks as China reopens borders in January 2023. Key risks are derailment of Malaysia's macro recovery and corporate earnings growth due to a larger-than-expected impact of rising inflation, slower global economic growth as well as heightened geopolitical risks.

RISKS

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

Market risk	<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">• Economic and financial market conditions• Political change• Broad investor sentiment• Movements in interest rate and inflation• Currency risks <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>
Company or security specific risk	<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>
Credit risk	<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 : *30 December 2022*

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.