Sun Life Malaysia Equity Income Fund

November 2021

Sun Life

FUND OBJECTIVE

To provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

FUND DETAILS

Launch Date	20 May 2014	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	5.79 million units (30 November 2021)	Fund Size	RM9.48 million (30 November 2021)
Unit NAV	RM1.6373 (30 November 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Titans Income Plus Fund
Benchmark	50% FBM100 Index + 50% MSCI AC Asia ex-Japan Index	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: ▪ Have a medium to long-term investment horizon ▪ Target capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains	Fees	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Equity Income Fund. ▪ Up to 1.5% per annum of fund management charge is applied on the target fund's NAV by Principal Asset Management Berhad.

ASSET ALLOCATION OF THE TARGET FUND

Equities (Foreign)	Equities (Local)	Cash
46.02%	46.26%	7.72%

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SECTOR ALLOCATION OF THE TARGET FUND	
Financials	23.00%
Communication Services	14.23%
Information Technology	13.81%
Industrials	13.17%
Consumer Discretionary	11.33%
Materials	5.61%
Energy	4.73%
Health Care	3.41%
Consumer Staples	1.69%
Real Estate	1.30%
Cash	7.72%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND	
CIMB Group Hldgs Bhd (Malaysia)	5.41%
Taiwan Semiconducter Manuf (Taiwan)	5.38%
SEA LTD (United States)	5.35%
Genting Bhd (Malaysia)	4.97%
Tencent Hldg Ltd (Hong Kong)	3.87%
Inari Amertron Bhd (Malaysia)	3.03%
United Overseas Bank Ltd (Singapore)	3.03%
Reliance Industries Ltd (India)	2.95%
LG Chem Ltd (South Korea)	2.92%
Hong Leong Bank Bhd (Malaysia)	2.65%
Total	39.56%

PERFORMANCE RECORD

This fund feeds into Principal Titans Income Plus Fund (“target fund”) with the objective to provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

Table below shows the investment returns of Sun Life Malaysia Equity Income Fund versus its benchmark as at 30 November 2021:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	1.35	-4.23	-1.89	6.87	29.13	48.58	63.73
Benchmark	-4.53	-3.02	-7.35	-0.29	10.14	17.49	27.11

** 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

For the month, the fund declined -4.23% in MYR terms, underperforming the benchmark by 121bps. Communication Services, Consumer Discretionary and Materials drove underperformance of the month.

FFBMKLCI lost -3.1% for the month. The discovery of a seemingly more virulent variant of the Covid-19 virus in South Africa named Omicron triggered another round of broad-based sell-off. Malaysia's manufacturing PMI improved further to 52.3pts from 52.2pts in October. Production and new order volumes expanded at the fastest pace in seven months, aided by lifting of movement restrictions. The market currently trades at 15.6x forward PE which is below the 10-year historical mean of 16.5x, which we deem attractive given the strong corporate earnings growth (excluding the one-off tax impact and Glove), with an attractive dividend yield of almost 4%.

Investor sentiment is dented by the one-off broad-based Prosperity Tax which hurts corporate earnings in 2022 and the Omicron Covid-19 variant, but it does not derail the macro recovery, in our opinion. We would take the opportunity to reposition into reopening plays, laggards, as well as sectors with structural or secular growth stories. Thus, we remain steadfast in our strategy to OW Financial, cyclical themes such as Consumer Discretionary, but be selective on Tech companies.

Asia: The MSCI AC Asia Pacific ex Japan Index declined sharply in November. The index lost 4.4% during the month. The US 10-year bond yield declined by about 11bps to 1.44%.

During November, concerns over a new coronavirus variant, Omicron, weighed on the markets. The good news is that governments is likely to cope better without shutting the economy completely unlike last year. The US Fed will begin to taper its QE-program in end Nov. In Asia, the governments should continue to be accommodative in their monetary policies to support growth. We maintain our view that fund flows are more likely to move to Asia since valuation is more attractive with relatively stronger earnings growth in 2022, compared to Developed markets.

We are cautiously optimistic about Asian equities over a 12-month horizon. Maintain focus on quality companies which are long term winners, or benefit from structural changes in their respective industries through market share gain. We also prefer companies with
pricing power to overcome cost pressures and quality growth companies.

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RISKS

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

Stock specific risk	Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stock will adversely affect the target fund's NAV.
Credit and default risk	The target fund will be exposed to a certain degree of credit and default risk of issuers or counterparties when the target fund invests in debt securities, money market instruments and/or place deposits. Credit risk relates to the creditworthiness of the securities issuers or counterparties and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuers or counterparties may impact the value as well as liquidity of the investments. In the case of rated debt securities, this may lead to a credit downgrade. Default risk relates to the risk that a securities issuer or counterparty either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investments. This could adversely affect the value of the target fund. We aim to mitigate this risk by performing bottom-up and top-down credit research and analysis to determine the creditworthiness of its issuers or counterparties, and impose investment limits on exposures for issuers or counterparties with different credit profiles as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.
Interest rate risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments and money market instruments. When interest rates rise, debt instruments and money market instruments prices generally decline and this may lower the market value of the target fund's investment in debt instruments and money market instruments. In managing the debt instruments, we take into account the coupon rate and time to maturity of the debt instruments with an aim to mitigate the interest rate risk. As for money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike debt instrument, any change to interest rate will only have a minor impact to the prices of these instruments.
Country risk	Investments of the target fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the target fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the target fund in those affected countries. This in turn may cause the NAV of the target fund or price of units to fall.

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

Currency risk	As the investments of the target fund may be denominated in currencies other than the base currency of the target fund, any fluctuation in the exchange rate between the base currency of the target fund and the currencies in which the investments are denominated may have an impact on the value of these investments. You should be aware that if the currencies in which the investments are denominated depreciate against the base currency of the target fund, this will have an adverse effect on the NAV of the target fund in the base currency of the target fund and vice versa. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.
Risk of investing in emerging markets	In comparison with investments in the developed markets, investment in emerging markets may involve a higher degree of risk due to the greater possibility of political or economic instability and societal tensions. Emerging markets are markets that are, by definition, “in a state of transition” and are therefore exposed to rapid political change and economic declines. The securities in the emerging markets may face a higher risk of price drop while the exchange rates in these emerging markets are generally more volatile than those of developed markets. As such, you should be aware that investments in emerging markets may subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund’s growth. We attempt to mitigate these risks through active asset allocation management and diversification across different countries and sectors, in addition to our continuous bottom-up and top-down research and analysis.
Risks associated with investment in warrants	There are inherent risks associated with investment in warrants. The value of warrants is influenced by the current market price of the underlying security, the exercise price of the contract, the time to expiration of the contract and the estimate of the future volatility of the underlying security’s price over the life of the contract. Generally, the erosion in value of warrants accelerates as it approaches its expiry date. Like securities, we will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.

Source : Principal Asset Management Bhd
Date : 30 November 2021