

**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	27.19 million units (31 December 2021)	Fund Size	RM74.63 million (31 December 2021)
Unit NAV	RM2.7444 (31 December 2021)	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%

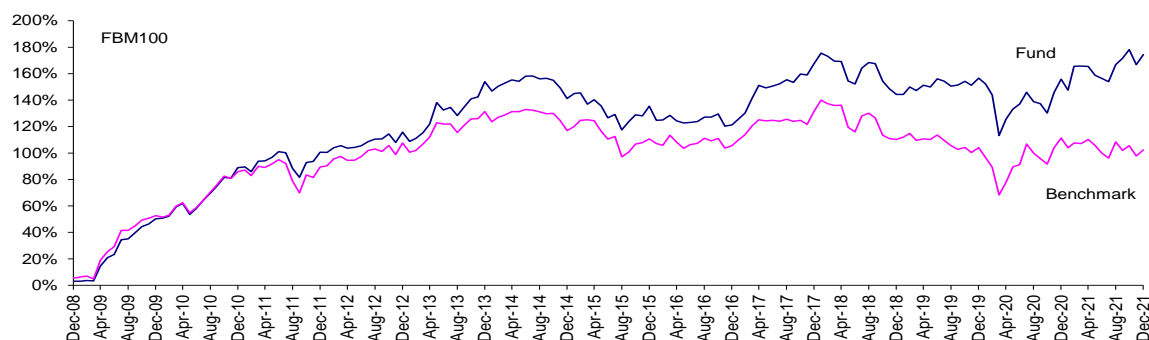
## SECTOR ALLOCATION OF THE FUND

Financial Services	30.75%
Industrial Products & Services	18.55%
Technology	14.60%
Consumer Products & Services	9.61%
Energy	5.66%
Health Care	4.37%
Plantation	4.03%
Construction	2.89%
Telecommunications & Media	2.47%
Transportation & Logistics	2.22%
Property	0.42%
Cash	4.42%
<b>Total</b>	<b>100.00%</b>

## TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.75%
Malayan Banking Bhd	7.55%
Press Metal Aluminium Holding Bhd	6.16%
Public Bank Bhd - Local	5.88%
Petronas Chemicals Group Bhd	4.87%
RHB Bank Bhd	3.78%
IHH Healthcare Bhd	3.37%
Inari Amertron Bhd	3.33%
Sime Darby Plantation Bhd	3.03%
AMMB Holdings Bhd	2.93%
<b>Total</b>	<b>48.66%</b>

## PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
<b>Fund*</b>	7.27	2.84	7.27	12.33	24.07	36.84	174.44
<b>Benchmark</b>	-4.23	2.28	-4.23	-3.74	-1.55	6.81	102.33

\* 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 2.84%, outperforming the benchmark by 56 basis points. The outperformance was mainly due to the overweight in Consumer Discretionary, Energy, and Materials as well as its underweight in Health Care and Consumer Staples. On the YTD, the Fund outperformed the Benchmark by 11.50%.

### Portfolio Strategy

FBMKLCI rallied 53.5pts or +3.5%, fully reversing the Omicron triggered sell-off in November, and ended 2021 at 1,567.53pts in December, which represented a decline of -3.6% for the year. Investors sighed relief as encouraging findings on the severity of the latest Covid variant were published and data pointing to a decoupling of new cases and hospitalization rates. Reopening plays and Tech dominated the leaderboard, while Glove stocks gave up some of their earlier gains.

Malaysia's manufacturing PMI improved further from 52.3pts in November to 52.8pts in December, the third straight month of growth in factory activity and the strongest since April. Production and new order volumes expanded aided by lifting of movement restrictions and demand recovery. New export sales also expanded on stronger demand from US and China. Despite mounting pressure on production lines, manufacturers scaled down workforce.

On OPR, we expect Bank Negara to hike 25bps in 2022 and 2023 each respectively from the current 1.75% but economists are turning more hawkish on the back of persistent Inflationary pressures – the central bank projects CPI to ease from projected 2.4% in 2021 to 2.1% in 2022. The government estimates GDP growth of 3.0-4.0% for 2021, accelerating to 5.5-6.5% in 2022, based on the anticipated reopening of all economic and social sectors in 4Q21 due to the advanced vaccination progress. It is still too early to measure the impact of Omicron on the economy.

Post-3Q21 results earnings revisions, we project 5% decline in earnings for the FBM KLCI for 2022 but 10% growth excluding the Glove sector. Banks, Gaming and Transportation account for 75% of the ex-gloves growth for 2022. The other major detractor apart from Gloves is Plantation where analysts expect earnings to fall in 2022 despite CPO prices staying elevated – consensus average CPO price forecast for 2022 is ~RM3,500/t vs current spot prices of above RM5,000/t. Earnings for Energy also appears conservative, where analysts expect flat growth. Overall, we see mild upside risk to earnings growth.

Following the December rally, the market now trades at 15.8x forward PE and is approaching the 10-year historical mean of 16.5x. Further re-rating may be capped without meaningful earnings upgrades from the current relatively dull base case and political risks abound. That said, market dividend yield of c.4% seems attractive relative to the region.

Investor sentiment remains dented by the one-off broad-based Prosperity Tax which hurts corporate earnings in 2022 and fears over Omicron albeit them waning. We therefore adopt a balanced approach with adequate diversification, straddling reopening plays and sectors with structural or secular growth stories. The former includes value sectors such as Aluminum and Energy which have earnings upgrade potential. We remain steadfast in our strategy to Overweight Financial, cyclical themes such as Consumer Discretionary, Energy Basic Materials, and selective Tech albeit reducing the Overweight. The market will likely be range-bound in 2022 but the index could rise comfortably to 1,600 pts by end-2022 should valuations revert to mean. Key risks to our view would be the derailment of Malaysia's macro recovery and corporate earnings growth due to a more severe impact of new Covid-19 variants and heightened political risks domestically, and larger-than-expected impact of rising inflation and consequently a more aggressive tapering.

## RISKS

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

<b>Market risk</b>	<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"><li>• Economic and financial market conditions</li><li>• Political change</li><li>• Broad investor sentiment</li><li>• Movements in interest rate and inflation</li><li>• Currency risks</li></ul> <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>
<b>Company or security specific risk</b>	<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>
<b>Credit risk</b>	<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 : *31 December 2021*

### 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.