

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	26.99 million units (31 December 2020)	Fund Size	RM69.04 million (31 December 2020)
Unit NAV	RM2.5585 (31 December 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"> ▪ 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%

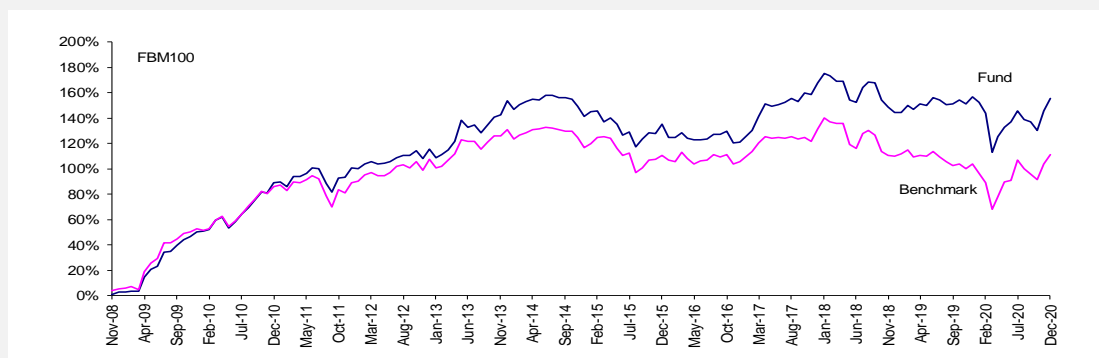
SECTOR ALLOCATION OF THE FUND

Financial Services	24.84%
Consumer Products & Services	16.65%
Industrial Products & Services	12.21%
Utilities	8.90%
Energy	7.73%
Technology	5.98%
Transportation & Logistics	5.88%
Plantation	5.37%
Telecommunications & Media	4.51%
Construction	2.83%
Health Care	1.02%
Property	0.77%
REIT	0.27%
Cash	3.04%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

Malayan Banking Bhd	7.75%
Tenaga Nasional Bhd	6.12%
CIMB Group Holdings Bhd	4.63%
Petronas Chemicals Group Bhd	4.53%
Public Bank Bhd - Local	4.33%
Press Metal Aluminium Holding Bhd	4.20%
Genting Malaysia Bhd	3.55%
RHB Bank Bhd	3.30%
Mr D.I.Y. Group (M) Bhd	3.14%
Genting Bhd	3.05%
Total	44.60%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-0.30	4.09	-0.30	-4.46	8.64	38.47	155.85
Benchmark	3.49	3.61	3.49	-8.82	0.27	13.69	111.27

* 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.

FUND MANAGER'S COMMENTS

Market review

In December, the fund was up 4.09%, outperforming the benchmark by 0.48%. Outperformance came mainly from a broader market rally with exposure to Industrials, Basic Materials, consumer and oil & gas. Year-to-date, the fund is down 0.30%, underperforming its benchmark by 3.79% due to earlier underweight in gloves.

Portfolio Strategy

The FTSE Bursa Malaysia Composite Index ("KLCI") ended the month higher by 4.13% MoM and the year by 2.42%. Positive sentiments from successful COVID-19 vaccines testing spillover to December. Sector wise, Energy +11.1%, Finance +11.0%, Industrial +10.9% and Property +10.6% were the top performers for the month, while PMAH +20.0%, CIMB +18.5%, PBK +18.4% and PCHEM+15.7% were the top performing stocks.

The KLCI posted a second consecutive month of gains as investors continued to position into the Covid-19 recovery play in the market, following news of Covid-19 vaccine breakthroughs in November. On top of that, the Ministry of Health (MOH) announced that it has revised the quarantine period from two weeks to 10 days for all travelers and close contacts of COVID-19 positive patients. On the budget front, the opposition failed in its attempt to thwart Budget 2021 as it was passed in the final approval stage in the Dewan Rakyat today via an en bloc vote. The vote ended with 111 Members of Parliament (MPs) in favour and 108 MPs against the passing of the budget. Despite the downgrade in rating by Fitch from 'A-' to 'BBB+', Malaysian Ringgit and bond yield remained stable. To end the year 2020 on a positive note, the Ministry of Finance announced the extension of the vehicle sales tax exemption period, due to expire on 31 December, by a further six months until 30 June 2021.

On valuations, KLCI is currently trading at 2021 PE of 14.2x vs its 10-year mean of 15.4x. We expect the low interest rate environment to be sustained until the economy is on a firmer footing. With such a low interest rate, equity risk premium (ERP) has widened significantly to 4.22%, +2 SD over mean of 2.72%. This means that equity valuation is actually very cheap now relative to fixed income. We value KLCI at 1,730 for the base case for 2021 as we peg it to 17.1x PE. All things being considered, we are positive on Malaysia market from Valuations perspective.

Earlier hope for rapid recovery in 4Q2020 may be dented (due to resurgence of COVID-19 globally) but we are now confident of a sustainable economic recovery in 1H2021. As a result, we will continue with our high AA of 90-95% and focusing on post COVID-19 recovery theme. Sector in focus for will be on Bank and Financial Services, Gaming (conventional), Consumer, Technology and Commodity-related (weakening of USD), whilst at the same time reducing our position on the Healthcare and REIT sectors.

RISKS

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

<p>Market risk</p>	<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>
<p>Company or security specific risk</p>	<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>
<p>Credit risk</p>	<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 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. 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.