Sun Life Malaysia Growth Fund

March 2023

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 (31 March 2023)	Fund Size	RM73.31 million (31 March 2023)
Unit NAV	RM2.6133 (31 March 2023)	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	Suitable for investors: ▪ 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%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)
Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
Telephone (603) 2612 3600 Client Careline 1300-88-5055 wecare@sunlifemalaysia.com sunlifemalaysia.com

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Sun Life

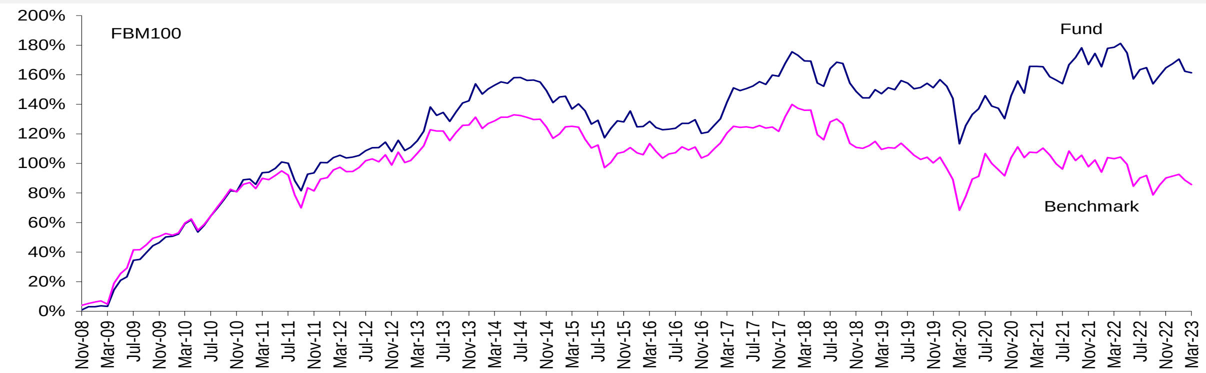
SECTOR ALLOCATION OF THE FUND

Financial Services	22.76%
Consumer Products & Services	12.60%
Technology	9.53%
Health Care	8.12%
Industrial Products & Services	7.02%
Energy	6.59%
Telecommunications & Media	5.15%
Utilities	5.06%
Plantation	4.74%
Transportation & Logistics	3.54%
Construction	2.74%
REIT	0.92%
Cash	11.23%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

Public Bank Bhd - Local	6.67%
Malayan Banking Bhd	6.60%
CIMB Group Holdings Bhd	5.84%
Tenaga Nasional Bhd	5.06%
Genting Malaysia Bhd	4.89%
Press Metal Aluminium Holding Bhd	3.72%
Genting Bhd	3.35%
Hartalega Holdings Bhd	3.33%
Frontken Corp Bhd	2.48%
My Eg Services Bhd	2.37%
Total	44.31%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-2.25	-0.37	-6.19	22.53	-3.00	21.39	161.33
Benchmark	-2.93	-1.53	-8.60	10.34	-21.29	-10.16	85.78

** 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

Market review

In March 2023, the Fund was down 0.37%, outperforming the benchmark by 116 basis points (bps). The outperformance was mainly due to the fund's overweight in Consumer Discretionary and Healthcare as well as its underweight in Plantation.

Portfolio Strategy

FBMKLCI fell 33pts or over 2%, ending the month of March at 1,422pts. Weakness was in line with the sell-off in regional markets as investors aggressively risked off following the collapse of several high-profile banks in the US and Europe, potentially triggering a global liquidity squeeze, and mounting worries that US Fed's aggressive tightening may have finally taken a toll on the US economy. Market however rebounded towards the later part of the month following Fed's decision to go ahead with a 25bps hike, downplaying fears of a banking contagion and shifting attention back to inflation which has started to ease, albeit very gradually. Financials and Commodities were sold down in favor of defensive sectors such as Healthcare and Utilities during the month.

Malaysia's PMI improved further to 48.8pts in March from February's 48.4pts, alongside improvements seen in many economies in Asia. According to S&P Global, the latest reading was consistent with sustained expansions in both manufacturing production and GDP, with signs that growth has accelerated since the start of the year. New orders scaled back to the least extent since last October, but production volumes remain muted as client confidence was relatively subdued. Encouragingly, input cost and selling price inflation eased, the former at its lowest in 34 months, and delivery times shortened further. Overall, firms surveyed remained hopeful that demand conditions would normalize over the coming 12 months.

BNM now projects Malaysia's GDP growth to moderate from 8.7% in 2022 to 4-5% in 2023 (from 4.5% previously), due to the slowdown in global growth on the back of persistent pressures from inflation and tightening of global financial conditions, in addition to a high base effect. The central bank in its latest Stability Report showed that the domestic banking sector remains healthy and will not need additional capital even under severe scenarios. Last MPC meeting, the central bank held OPR at 2.75%, while economists are still expecting up to 50bps hike for the rest of the year. Malaysia's CPI remained at a rate of 3.7% in February, and was still driven by Restaurant and Hotels, and Food and Non-alcoholic beverages. The latest reading was within BNM's inflation target of 2.8-3.8% for 2023.

Malaysia's equity market valuations remain compressed with forward PE of under 13x still at over -2SD below the historical mean. This is based on consensus earnings growth 9% growth for 2023 and 6% for 2024. The re-tabled Budget 2023 offered much needed clarity on the new Government's policy posture. Overall, we are encouraged by the non-extension of Prosperity Tax (no derailment of re-acceleration of corporate earnings in 2023), delayed implementation of GST and capital gains tax, and fiscal target discipline. There were also numerous tax incentives to spur MSMEs and investments into various high impact sectors. We remain hopeful that elevated risk premiums on Malaysia would abate over time.

We remain positive for the market as Malaysia is expected to continue benefitting from robust domestic economic activity, further buoyed by China's recovery. We favour domestic driven sectors such as Consumer Discretionary, Industrials and Utilities. We also prefer selective Technology for structural growth as well as Gloves for emerging values. 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.

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RISKS

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

Market risk	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: • Economic and financial market conditions • Political change • Broad investor sentiment • Movements in interest rate and inflation • Currency risks 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.
Company or security specific risk	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.
Credit risk	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.

Source : Principal Asset Management Bhd
Date : 31 March 2023