

## 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	26.00 million units (30 June 2020)	Fund Size	RM61.63 million (30 June 2020)
Unit NAV	RM2.3701 (30 June 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"> <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%

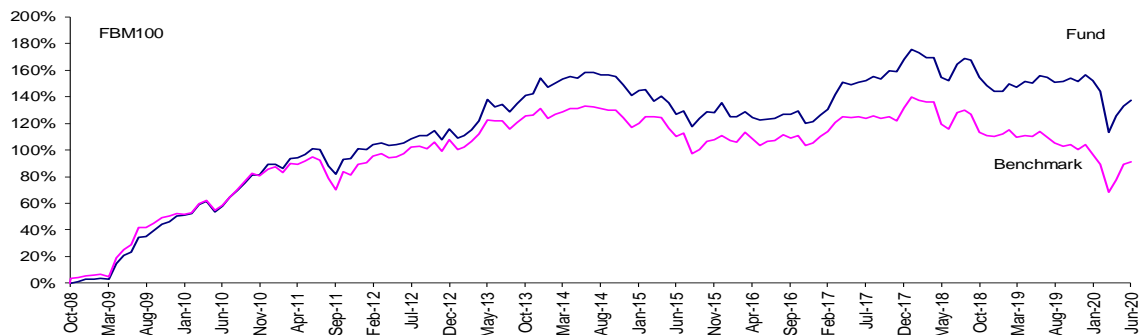
### SECTOR ALLOCATION OF THE FUND

Financial Services	16.61%
Consumer Products & Services	12.30%
Health Care	8.60%
Utilities	8.04%
Technology	7.77%
Industrial Products & Services	7.19%
Telecommunications & Media	6.58%
Construction	6.17%
Energy	5.91%
Plantation	5.75%
Transportation & Logistics	3.94%
Property	1.71%
REIT	1.02%
Cash	8.43%
Total	100.00%

### TOP HOLDINGS OF THE FUND (EQUITIES)

Tenaga Nasional Bhd	6.37%
Malayan Banking Bhd	6.30%
Public Bank Bhd - Local	5.25%
Hartalega Hldg Bhd	3.87%
Petronas Chemicals Group Bhd	3.85%
IHH Healthcare Bhd	3.31%
Inari Amertron Bhd	3.04%
RHB Bank Bhd	3.00%
Sime Darby Plantation Bhd	2.82%
Gamuda Bhd	2.78%
Total	40.59%

### PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>Fund*</b>	-7.64	1.67	-7.45	-5.43	4.60	49.92	137.01
<b>Benchmark</b>	-6.31	0.97	-10.48	-14.89	-9.13	20.47	91.27

\* 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 June, the fund was up 1.67%, outperforming the benchmark by 0.70%. Outperformance came mainly from the over weights in Oil & Gas and Financials. Year-to-date, the fund is down -7.64%, underperforming its benchmark by 1.33%.

### Portfolio Strategy

FBMKLCI gained 1.88% in June driven by further rally on glove and reopening themes. Compared to the previous month, the rally was broader base with 20 gainers vs 12 losers among KLCI component stocks. Note that Telekom and KLCC Stapled Securities have replaced MAHB and AMBank in the benchmark index. Public Bank (+12.6%), Top Glove (+21.8%) and Press Metal (+20.4%) were the top contributors to the rally while Dialog (-9.2%), CIMB (-5.6%) and Axiata (-6.6%) were the main drags. Big cap blue chips have outperformed the small cap index (-1.7%) in June as retail investors took profit ahead of the decision by regulators on whether to extend short selling restriction beyond 30 Jun. Local Covid-19 cases continues to trend lower to single digit level since Malaysia entered into Recovery Movement Control Order (RMCO) on 10 Jun while more businesses have reopened given that Malaysia has largely contained the outbreak. The domestic tourism sector was the latest to be allowed to reopen although international border remains shut for now. Casinos and number forecasting operators (NFOs) have also reopened. Although 2Q economic data and corporate results will be worse than 1Q, we believe investors are already looking past these backward-looking numbers and pricing in rebound in economic activities and financial turnaround of corporates going forward. As such, the litmus test will be in 3Q and 4Q when investors evaluate whether the actual pace of recovery matches that of expectations. So far, consensus is expecting 21.2% decline in 2020 earnings follow by 20.6% rebound in 2021. The expected earnings rebound is largely driven by the financial and gaming sectors and therefore these sectors will be subject to close scrutiny over the next few months.

The government has maintained an accommodative policy stance to aid the domestic economy in its recovery from the Covid-19 pandemic. Over the course of Jun, the government has announced further RM35bn stimulus under National Economic Recovery Plan (PENJANA) which consists of RM10bn in direct fiscal injections, RM8bn in tax incentives and the rest via measures by public sector entities. The government also announced that it is offering up to 100% sales tax exemption for CKD and CBU vehicles from 15 Jun till 31 Dec while property sector will be boosted by reintroduction of the Home Ownership Campaign (HOC), exemption of individuals' RPGT and the lifting of the maximum loan-to-value ratio (LVR) to 70%. The Securities Commission and Bursa Malaysia also extended the temporary suspension of short selling to 31 Dec 2020. Key risks include premature rollback of monetary stimulus by global central banks in the event recovery is stronger than anticipated, and uncertainty in domestic political landscape leading to regulatory and fiscal implementation risks. On the latter, investors will be watching the reconvening of parliament sitting in mid-July.

KLCI is currently trading at 2020 and 2021 PE of 19.7x and 16.6x respectively which are well above its 10-year mean valuation of 15.4x. However, excluding the glove sector, KLCI is trading at 2020 and 2021 PE of 18.3x and 15.3x respectively. This suggests that consensus is looking beyond 2020 for recovery post-Covid-19. As 2021 PE of 15.3x (excluding glove) is in line with historical mean, it also seems that earnings rebound have been priced in. That said, the capital market is flushed with liquidity now following coordinated interest rate cuts by central banks while governments try to revive their economies with massive fiscal stimulus. We should still be looking to take a prudent stance by investing in companies with strong balance sheet and resilient earnings while deploying some capital to buy selective value stocks as proxy for post-pandemic recovery.

## RISKS

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

<p><b>Market risk</b></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"> <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>
<p><b>Company or security specific risk</b></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><b>Credit risk</b></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 : 30 June 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.