

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	26.53 million units (31 March 2021)	Fund Size	RM70.49 million (31 March 2021)
Unit NAV	RM2.6568 (31 March 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"> ▪ 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%

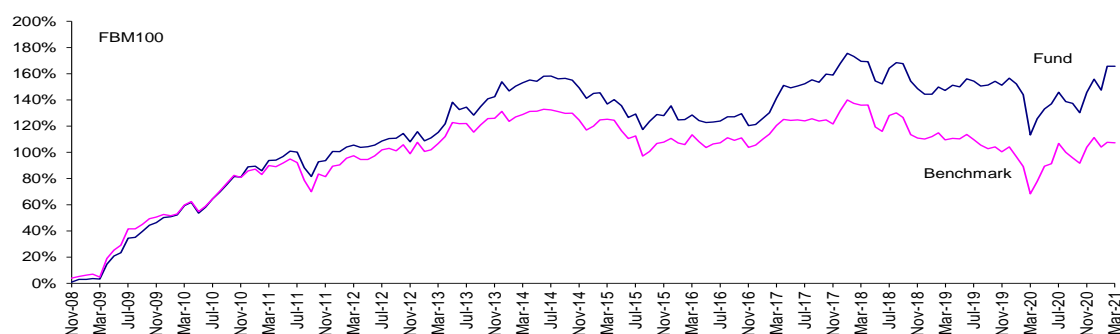
SECTOR ALLOCATION OF THE FUND

Financial Services	29.40%
Industrial Products & Services	13.69%
Consumer Products & Services	13.20%
Energy	11.76%
Technology	10.50%
Utilities	5.59%
Transportation & Logistics	4.35%
Telecommunications & Media	3.02%
Construction	2.78%
Plantation	0.98%
Property	0.76%
Health Care	0.44%
Cash	3.50%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.62%
Malayan Banking Bhd	7.41%
Public Bank Bhd - Local	5.09%
Press Metal Aluminium Holding Bhd	5.02%
Petronas Chemicals Group Bhd	4.51%
Tenaga Nasional Bhd	3.77%
Mr D.I.Y. Group (M) Bhd	3.28%
RHB Bank Bhd	3.18%
Hong Leong Bank Bhd	3.03%
My Eg Services Bhd	2.81%
Total	45.72%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	3.84	0.01	24.57	-1.39	16.29	37.13	165.68
Benchmark	-1.91	-0.18	23.08	-12.20	-2.90	9.10	107.23

* 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 March, the fund was up 0.01%, outperforming the benchmark by 0.17%. Outperformance came mainly from a broader market rally with exposure to Consumer Discretionary and underweight in Gloves (Healthcare).

Portfolio Strategy

FBMKLCI ended March flat at 1,573pts, down 4pts or -0.3%. A plunge on the last day of the month with all 30 constituents in the red, largely attributed to MSCI rebalancing and sell-off on gloves which wiped out over 2% of the index. The latest tally placed Property and Construction as top performing sector indices, up 8% and 6% respectively during the month, while Healthcare (-9%) and Technology (-6%) were the worst performers.

Bank Negara in the recent release of its Annual Report pegs 2021 GDP growth at 6.0-7.5% premised on improved external demand driven by the tech upcycle and containment of Covid19 – daily cases now at low 1,000s versus over 3,000 in February - and with vaccination roll-out well underway. Labor market is improving with strong policy support for businesses and households. There is expectation of a spike in inflation of 2.5-4.0% but the central bank expects to maintain an accommodative monetary policy. Malaysia's manufacturing PMI rose to 49.9 in March from 47.7 in February. These are all promising indicators. Malaysia corporate earnings for 4Q2020 showed a modest beat and resulted in a slight upgrade of 2021 KLCI earnings. We saw sustained growth in Tech and Gloves, higher commodity prices which benefitted Petrochem and Plantations, and improved sales from the relaxation of movement controls driving Autos. Financials, Utilities, O&G and Construction posted weaker results overall but they (except for Construction) largely met or beat expectations. Unfortunately, KLCI earnings for 2022 were cut by ~2%, largely due to Gloves. Consensus now projects KLCI earnings to grow 48% in 2021 but close to zero in 2022, from a 13% contraction in 2020. Excluding gloves, earnings growth for 2021 and 2022 are 39% and 16% respectively. The FBMKLCI currently trades at a forward PE of c.15x for 2021 and 2022, ex-Gloves 18.1x and 15.6x respectively. We lower our KLCI target from 1,730pts to 1,670pts, which now represents 5% upside from current level or 2.6% ytd. This is based on a target yield gap of 280bps which is +0.5SD pre-Covid19 mean of 250bps to partly factor in political risks, and assuming Malaysia 10yr MGS rises to 3.5% (vs 3.15% currently); this implies an earnings yield of 6.3% or a PE of 16x.

We are Neutral on Malaysia considering the balance of risk – improving fiscal position (partially aided by rising commodity prices especially crude oil, with positive guidance from recent OPEC+ meeting) and corporate earnings recovery weighed against near-term political uncertainty. That said, we remain proponents of the reopening theme and thus constructive on sectors such as Financials (also a beneficiary of rising interest rates), Cyclical (Capital Goods, Consumer Discretionary), Commodities (O&G, Materials) and select Transport. We also like Tech names due to the structural growth story, but near-term sentiment could be tempered by jitters on interest rates and US-China relations. We are cautious on Gloves as earnings seem to have peaked – valuations to expand from under 5x PE based on 2021 earnings to over 13x by 2023 as consensus projects profits to contract by almost 70% - and growing ESG issues.

RISKS

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

Market risk	<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>
Company or security specific risk	<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>
Credit risk	<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 March 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.