Sun Life Malaysia Equity Income Fund

December 2024

FUND OBJECTIVE

To provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

INVESTMENT STRATEGY & APPROACH

Please refer to the Master Fund Fact Sheets at https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/ for more information on the Investment Strategy and Approach for the target fund.

FUND DETAILS

Launch Date	20 May 2014	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	9.03 million units (31 December 2024)	Fund Size	RM16.27 million (31 December 2024)
Unit NAV	RM1.8028 (31 December 2024)	Target Fund	Principal Titans Income Plus Fund
Fund Manager	Principal Asset Management Bhd	Taxation	8% of annual investment income
Performance Benchmark	50% FBM100 Index + 50% MSCI AC Asia ex-Japan Index	Frequency and Basis of Unit Valuation	The unit price is determined daily based on value of the holdings in the target fund, net of expenses, divided by the total number of units in that fund
Target Market	Suitable for investors: ▪ Have a medium to long-term investment horizon ▪ Target capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains	Fund Management Charge	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Equity Income Fund ▪ Up to 1.5% per annum of fund management charge is applied on the target fund's NAV by Principal Asset Management Berhad

ASSET ALLOCATION OF THE TARGET FUND

Collective Investment Schemes (CIS)	Fixed income securities	Liquid assets
Minimum 70% and up to 98% of Net Asset Value (NAV)	Up to 28% of NAV	Minimum 2% of NAV

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SECTOR ALLOCATION OF THE TARGET FUND	
Information Technology	20.76%
Industrials	10.35%
Utilities	9.98%
Consumer Discretionary	9.88%
Communication Services	9.80%
Others	8.25%
Energy	7.15%
Financials	6.73%
Estate	6.04%
Cash	11.06%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND	
Taiwan Semiconductor Manufacturing (Taiwan)	8.82%
KIA Corporation (South Korea)	3.97%
Tenaga Nasional Bhd (Malaysia)	3.83%
SK Hynix Inc (South Korea)	3.83%
Tencent Holdings Ltd (Hong Kong)	3.64%
Sunway Bhd (Malaysia)	2.79%
YTL Corporation Bhd (Malaysia)	2.67%
Telekom Malaysia Bhd (Malaysia)	2.61%
Malayan Banking Bhd (Malaysia)	2.29%
Reliance Industries Ltd (India)	2.27%
Total	36.72%

PERFORMANCE RECORD

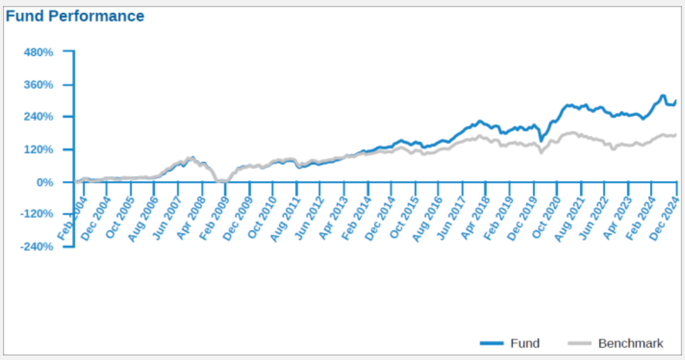
This fund feeds into Principal Titans Income Plus Fund (“target fund”) with the objective to provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

Table below shows the investment returns of Sun Life Malaysia Equity Income Fund versus its benchmark as at 31 December 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	15.05	3.84	-3.71	15.05	10.62	29.97	80.28
Benchmark	12.15	2.21	0.12	12.15	3.99	12.39	33.80

** Calculation of past performance is based on NAV-to-NAV*

Graph below shows the historical performance of the underlying collective investment schemes (CIS) for calendar year returns:



Source: Lipper

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FUND MANAGER'S COMMENTS

For the month, the fund rose 3.84%, outperforming the benchmark by 163bps. For the year-to-date performance, the fund is outperformed the benchmark by 290bps.

The KLCI ended the last month of year on a strong note, up 3% and outperforming MSCI ASEAN's -1.1%, aided by year-end window dressing and cash redeployment by domestic funds amidst another month of heavy foreign selling due to policy uncertainties under the new US administration and the trajectory of Fed rates coupled with rising bond yields. Utilities (TNB, YTLs), Commodities (PMAH, PCHEM, select planters), Telcos, Transport (mainly MISC) and select Financials topped the leaderboard, while within the broader market, Tech, Property and Healthcare did well.

Other key benchmarks: CPO down 11% to c.RM4,400/t, Brent up 2% ~US$75/bbl. Ringgit weakened 0.6% against the Dollar at RM4.4722, while the 10Y MGS yields rose 12bps to3.817.

The KLCI is now trading at a forward PE of 14.5x, which is slightly below -1SD below the 10-year historical mean, but still more than 2SD below pre-Covid19 mean of 16x. Consensus projects earnings growth for FBM30 of 8-9% for 2024 and 2025. Sustained strength in domestic investments (both DDI and FDI), fiscal consolidation gathering pace (in particular, subsidy rationalisation initiatives) and the strengthening of the Ringgit are factors we see supportive of the further narrowing of risk premiums (current yield gap at ¬350bps; pre-Covid average of 250bps) and consequently higher valuation multiples.

We remain constructive on sectors that stand to gain from the NETR, including Utilities, Construction, and Property. We are also optimistic about Financials and Consumer names given the strong investment momentum in Malaysia, as well as O&G services. We also like sectors that benefit from the stronger Ringgit. Additionally, we remain highly selective on Technology favoring those with strong bargaining power. Key risks are the derailment of Malaysia's macroeconomic recovery and corporate earnings growth due to the larger-than-expected impact of rising inflation, slower global economic growth, and heightened geopolitical risks.

MSCI AC Asia Pacific ex Japan Index was flat in December, ending 0.16% higher. Taiwan was the top performer in the month, ending up 5.09%, followed by China, which rebounded somewhat from previous months. The worst performing market was Korea, ending down 2.38% as political issues pressured the stock markets there. The President of South Korea declared martial law on the 3rd of December, only to revoke it on the same day. There was a lot of confusion with regards to the intention of the declaration but ultimately it led to the downfall of the President, with an arrest warrant for him coming out on the 31st of December. India also posted a decline in December, ending 1.58% lower.

We have a positive view on Asian equities, given the attractive investment themes. We still like the tech sector as we see semiconductor investments continuing to grow into next year while expectations have been lowered. We will continue to diversify and position the portfolio in areas where they are likely to print strong earnings growth such as the semiconductor industry, beneficiaries of AI spend, and Korea value up program, rising consumer discretionary spent or rising capex. We have been taking some profits off from our China names as we see risk of disappointment in relation to stimulus going into 2025.

RISKS

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

Stock specific risk	Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stock will adversely affect the target fund's NAV.
Credit and default risk	The target fund will be exposed to a certain degree of credit and default risk of issuers or counterparties when the target fund invests in debt securities, money market instruments and/or place deposits. Credit risk relates to the creditworthiness of the securities issuers or counterparties and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuers or counterparties may impact the value as well as liquidity of the investments. In the case of rated debt securities, this may lead to a credit downgrade. Default risk relates to the risk that a securities issuer or counterparty either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investments. This could adversely affect the value of the target fund. We aim to mitigate this risk by performing bottom-up and top-down credit research and analysis to determine the creditworthiness of its issuers or counterparties, and impose investment limits on exposures for issuers or counterparties with different credit profiles as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.
Interest rate risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments and money market instruments. When interest rates rise, debt instruments and money market instruments prices generally decline and this may lower the market value of the target fund's investment in debt instruments and money market instruments. In managing the debt instruments, we take into account the coupon rate and time to maturity of the debt instruments with an aim to mitigate the interest rate risk. As for money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike debt instrument, any change to interest rate will only have a minor impact to the prices of these instruments.
Country risk	Investments of the target fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the target fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the target fund in those affected countries. This in turn may cause the NAV of the target fund or price of units to fall.

RISKS

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

Currency risk	As the investments of the target fund may be denominated in currencies other than the base currency of the target fund, any fluctuation in the exchange rate between the base currency of the target fund and the currencies in which the investments are denominated may have an impact on the value of these investments. You should be aware that if the currencies in which the investments are denominated depreciate against the base currency of the target fund, this will have an adverse effect on the NAV of the target fund in the base currency of the target fund and vice versa. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.
Risk of investing in emerging markets	In comparison with investments in the developed markets, investment in emerging markets may involve a higher degree of risk due to the greater possibility of political or economic instability and societal tensions. Emerging markets are markets that are, by definition, "in a state of transition" and are therefore exposed to rapid political change and economic declines. The securities in the emerging markets may face a higher risk of price drop while the exchange rates in these emerging markets are generally more volatile than those of developed markets. As such, you should be aware that investments in emerging markets may subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund's growth. We attempt to mitigate these risks through active asset allocation management and diversification across different countries and sectors, in addition to our continuous bottom-up and top-down research and analysis.
Risks associated with investment in warrants	There are inherent risks associated with investment in warrants. The value of warrants is influenced by the current market price of the underlying security, the exercise price of the contract, the time to expiration of the contract and the estimate of the future volatility of the underlying security's price over the life of the contract. Generally, the erosion in value of warrants accelerates as it approaches its expiry date. Like securities, we will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.

Source : Principal Asset Management Bhd
Date : 31 December 2024