

# Sun Life Malaysia

## Asia Pacific Dynamic Income Fund

February 2024



### FUND OBJECTIVE

The Fund aims to provide regular income by investing primarily in the Asia Pacific ex Japan region and at the same time aims to achieve capital appreciation over the medium to long-term.

### FUND DETAILS

Launch Date	13 February 2015	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	188.94 million units (29 February 2024)	Fund Size	RM317.36 million (29 February 2024)
Unit NAV	RM1.6798 (29 February 2024)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Asia Pacific Dynamic Income Fund - Class MYR
Benchmark	8% p.a.	Taxation	8% of annual investment income
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> <li>▪ Have a medium to long-term investment horizon</li> <li>▪ Want a well-diversified portfolio of Asia Pacific ex Japan region</li> <li>▪ Seek regular income</li> <li>▪ Can accept that returns may fluctuate over the investment period</li> </ul>	Fees	<ul style="list-style-type: none"> <li>▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Asia Pacific Dynamic Income Fund.</li> <li>▪ Up to 1.8% pa of fund management charge is applied on the target fund's NAV by Principal Asset Management Bhd.</li> </ul>

### ASSET ALLOCATION OF THE TARGET FUND

Equities (Foreign)	Mutual Fund	Cash
88.95%	7.04%	4.01

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### SECTOR ALLOCATION OF THE TARGET FUND

Information Technology	21.97%
Consumer Discretionary	13.20%
Industrials	9.58%
Energy	9.51%
Financials	9.32%
Others	8.27%
Real Estate	7.08%
Mutual Fund	7.04%
Materials	6.49%
Health Care	3.53%
Cash	4.01%
<b>Total</b>	<b>100.00%</b>

### TOP HOLDINGS OF THE TARGET FUND

Taiwan Semiconductor Manuf (Taiwan)	9.00%
Reliance Industries Ltd (India)	5.20%
CNOOC Ltd (Hong Kong)	4.31%
Samsung Electronics Co. Ltd (South Korea)	4.07%
NEXT FUNDS TOPIX Banks ETF (Japan)	3.25%
SK Hynix Inc (South Korea)	3.09%
CapitaLand Integrated Commercial Trust (Singapore)	2.87%
Goodman Group (Australia)	2.71%
Linde PLC (United State)	2.71%
KIA Corporation (South Korea)	2.61%
<b>Total</b>	<b>39.82%</b>

### PERFORMANCE RECORD

This fund feeds into Principal Asia Pacific Dynamic Income Fund - Class MYR ("target fund") with the objective to provide regular income by investing primarily in the Asia Pacific ex Japan region and at the same time aims to achieve capital appreciation over the medium to long-term.

Table below shows the investment returns of Sun Life Malaysia Asia Pacific Dynamic Income Fund versus its benchmark as at 29 February 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	5.47	4.33	7.95	9.42	-2.70	30.75	67.98
<b>Benchmark</b>	1.27	0.61	3.91	8.02	25.99	46.96	101.14

\* 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

The Fund was up 4.33% in MYR terms in February, outperforming the benchmark by 372 bps. YTD, the Fund is up 5.47%, outperforming the benchmark by 420 bps.

The MSCI AC Asia Pacific ex Japan Index advanced by 4.3% in USD terms in February. There seemed to be some signs of recovery in China where the total social financing grew at 9.5% YoY in January and initial spending data for the festive period looked encouraging. In response to the weak economy, the government continued to roll out new policies such as cutting the five-year loan prime rate by 25bps and promote equipment renewals and trade-ins of consumer goods. We retain our view that China growth outlook hinges critically on government policies, which may need to be more aggressive. The Two Sessions meeting in March may give a glimpse regarding the outlook of China in 2024. Recent inflation numbers in the US pointed to a hotter economy than expected and the US economy added 353,000 non-farm jobs in January. All these mean that rate cuts happening in 2Q24 seem a stretch. The market has priced in about 75bps cut in interest rates in 2024. In Asia, there are growth drivers such as recovery in the semiconductor industry, India's strong economic growth and capex cycle, lower interest rates, all of which is likely to lead to better earnings growth in Asia in the next 12 months. In South Korea, the government's efforts to promote shareholder returns known as 'Corporate Value-up Program' akin to what happened in Japan could result in a re-rating in the stock market in the longer run. We will continue to position the portfolio in areas where they are likely to print strong earnings growth such as the semiconductor industry, beneficiaries of AI spend, lower interest rate, or rising capex as well as India. We will also be selective in our investments in China, focusing on those companies who have shown signs of turnaround. Risks would be (1) Inflation may prove more sticky than expected, (2) continued weak business and consumer sentiment in China, (3) rising geopolitical risks..

**RISKS**

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

<b>Stock specific risk</b>	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.
<b>Country risk</b>	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. 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.
<b>Liquidity risk</b>	Liquidity risk refers to the ease of liquidating an asset depending on the asset's volume traded in the market. If the target fund holds assets that are illiquid, or are difficult to dispose of, the value of the target fund will be negatively affected when it has to sell such assets at unfavourable prices.
<b>Currency risk</b>	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 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.
<b>Credit and default risk</b>	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. Principal (S) aims 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.

**RISKS (CONTINUED)**

**Interest rate risk**

Interest rate risk refers to the impact of interest rate changes on the valuation of debt securities. When interest rates rise, debt securities prices generally decline and this may lower the market value of the target fund's investment in debt securities. In managing the debt portfolio, Principal (S) takes into account the coupon rate and time to maturity of the debt securities with an aim to mitigate the interest rate risk.

**Risk associated with investing in CIS**

Since the target fund may invest entirely into CIS, there is a risk of concentration into CIS, in which the CIS's management company has absolute discretion over the CIS's investment technique and knowledge, operational controls and management. In the event of mismanagement of the CIS and/or the management company, the NAV of the target fund, which invests into those CIS would be affected negatively. Should the situation arise, Principal (S) will seek for another CIS that is consistent with the objective of the target fund.

**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 be subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund's growth. Principal (S) will attempt to mitigate these risks through active asset allocation management and diversification, in addition to their continuous bottom-up and top-down research and analysis.

Source : *Principal Asset Management Bhd*

Date : *29 February 2024*

**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.