

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	27.17 million units (28 February 2022)	Fund Size	RM75.50 million (28 February 2022)
Unit NAV	RM2.7783 (28 February 2022)	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%

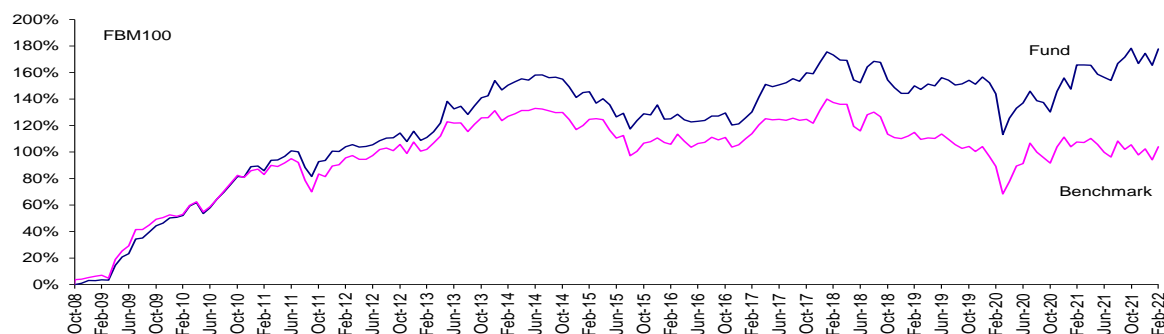
SECTOR ALLOCATION OF THE FUND

Financial Services	33.14%
Industrial Products & Services	17.24%
Consumer Products & Services	11.60%
Technology	8.38%
Plantation	7.60%
Health Care	5.12%
Energy	4.96%
Construction	3.40%
Telecommunications & Media	2.15%
Transportation & Logistics	1.31%
Property	0.59%
Cash	4.51%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.91%
Malayan Banking Bhd	7.88%
Press Metal Aluminium Holding Bhd	7.00%
Public Bank Bhd - Local	6.22%
Petronas Chemicals Group Bhd	5.07%
RHB Bank Bhd	4.58%
Sime Darby Plantation Bhd	3.91%
IHH Healthcare Bhd	3.72%
Genting Malaysia Bhd	3.54%
AMMB Holdings Bhd	3.51%
Total	53.34%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	1.24	4.67	4.58	11.19	20.67	36.18	177.83
Benchmark	0.82	5.08	-1.74	-5.06	-4.60	4.31	104.00

* 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 February, the Fund rose 4.67%, underperforming the benchmark by 41 basis points (bps). The underperformance was mainly due to the underweight in Consumer Staples as well as its overweight in Industrials and Information Technology.

Portfolio Strategy

FBMKLCI rallied 88.3pts or 5.8% to a high of 1,608pts, a level not seen since April 2021. The index benefited from the rally in commodities (Plantations, Energy and Alum/Steel), further stoked by the Russian-Ukraine conflict exacerbating supply worries, while beneficiaries of higher interest rates such as Financials and reopening plays hogged the limelight. Technology, Healthcare, and select Telecommunications languished.

Malaysia's manufacturing PMI edged up slightly to 50.9pts in February from 50.5pts the previous month. The reading suggests the economy was still expanding and for the fifth month running. Businesses saw demand output and new orders scaled back for the second month running, albeit at reduced rates, while input costs and output price pressures alleviated further. Supply-chain disruptions continue to hold back a stronger recovery, with delivery times extending to the greatest extent for ten months. That said, "Malaysian manufacturers continue to express optimism regarding the year-ahead outlook, albeit sentiment being at a four-month low, underpinned by hopes of a domestic and international recovery in demand as the pandemic recedes".

Bank Negara maintained the OPR at 1.75% in the recent MPC meeting, but we expect a 25bps hike in 2H22, and 25bps in 2023. The monetary tightening will be dependent on the inflation print, which is now running hot on the back of surging commodity prices and persistent supply-chain issues. To recap, the central bank projects CPI to ease from projected 2.4% in 2021 to 2.1% in 2022. The government estimates GDP growth of 3.0-4.0% for 2021, accelerating to 5.5-6.5% in 2022, based on the anticipated reopening of all economic and social sectors.

We now project 3% decline in earnings for the FBM KLCI for 2022 but 10% growth excluding the Glove sector. We see upside risks to these numbers, potentially from the Commodity space and tourism plays.

Following the rally in February, valuations now look less compelling considering proximity to the historical 10-year mean PE of 16.5x. We see upside risk to corporate earnings, especially within the commodity space, but geopolitical risks abound. Risk-reward appears to be in the balance. Nonetheless, dividend yield of c.4% is still attractive relative to the region.

We continue to adopt a balanced approach, now with a tilt to value over growth, and maintain adequate diversification. Still overweight Financial and cyclical themes such as Consumer Discretionary, as well as Commodities, while neutral to slight overweight on Plantation given the sustained strength in CPO prices. We reduced the Tech exposure while actively assessing Gloves. In our opinion, the market will likely gyrate around the 1,600pts level, see rotation from leaders to laggards, and could breakout once geopolitical risks abate. Our bottom-up fair value for the KLCI puts us above 1,700pts. Key risks are derailment of Malaysia's macro recovery and corporate earnings growth due to a more severe impact of new Covid-19 variants and heightened geopolitical risks, and larger-than-expected impact of rising inflation leading to stagflation.

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 : *28 February 2022*

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.