

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	27.16 million units (31 January 2022)	Fund Size	RM72.10 million (31 January 2022)
Unit NAV	RM2.6543 (31 January 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%

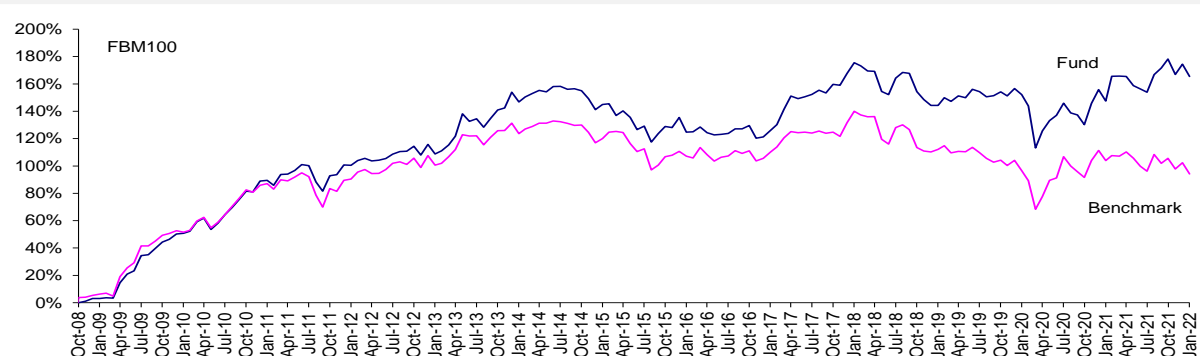
SECTOR ALLOCATION OF THE FUND

Financial Services	32.51%
Industrial Products & Services	18.79%
Technology	10.19%
Consumer Products & Services	9.47%
Energy	6.41%
Health Care	5.10%
Plantation	3.97%
Construction	2.83%
Telecommunications & Media	2.15%
Transportation & Logistics	1.76%
Property	0.50%
Cash	6.31%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

Malayan Banking Bhd	7.79%
CIMB Group Holdings Bhd	7.54%
Press Metal Aluminium Holding Bhd	6.79%
Public Bank Bhd - Local	6.16%
Petronas Chemicals Group Bhd	5.02%
RHB Bank Bhd	4.83%
IHH Healthcare Bhd	3.52%
AMMB Holdings Bhd	3.12%
Hong Leong Bank Bhd	3.08%
Sime Darby Plantation Bhd	2.94%
Total	50.79%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-3.28	-3.28	7.23	8.64	17.46	32.40	165.43
Benchmark	-4.05	-4.05	-4.83	-8.46	-7.62	1.94	94.13

* 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 January, the Fund was down 3.28%, outperforming the benchmark by 77 basis points (bps). The outperformance was mainly due to the overweight in Energy and Materials as well as its underweight in Health Care and Communication Services.

Portfolio Strategy

FBMKLCI lost 55.3pts or 3.5%, fully undoing previous month's gain. Inflation fears trumped the positive sentiment on reopening aided by data points showing Omicron being less fatal than previous variants. Beneficiaries of inflation and interest rate hikes – Financials, Commodities (Energy and Steel stocks) – dominated gainers during the month, while Tech, Healthcare and to lesser extent Telcos languished.

Malaysia's manufacturing PMI fell from 52.8pts in December to 50.5pts in January. Despite the deterioration, the reading suggests the economy was still expanding and for the fourth month running. Businesses saw demand conditions ease while supply pressures hindered output and new orders. Renewed production and order book declines were reported for the first time since September as firms sustained raw material shortages and rising prices had hampered production capacity and client confidence.

Bank Negara maintained the OPR at 1.75% during January's MPC meeting. We expect hikes of 25bps each in 2022 and 2023 respectively but economists are turning more hawkish on the back of persistent Inflationary pressures – 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 in 4Q21 due to the advanced vaccination progress.

We project 2% growth in earnings for the FBM KLCI for 2022 but 15% growth excluding the Glove sector. Banks, Gaming and Transportation account for 75% of the ex-gloves growth for 2022. Other major detractor apart from Gloves is Plantation where analysts expect earnings to fall in 2022 despite CPO prices staying elevated – consensus average CPO price forecast for 2022 is ~RM3,500/t vs current spot prices of above RM5,000/t. Earnings for Energy appears conservative, where analysts expect flat to lower earnings. Thus, we see mild upside risk to earnings growth.

Following the January sell-off, KLCI is once again looking attractive. The market is traded at a 2022F PE of 15.7x, falling to 14.6x in 2023F, a discount to its pre-Covid19 historical 10-year mean of 16.5x.

Investor sentiment remains dented by the one-off broad-based Prosperity Tax which hurts corporate earnings in 2022 and fears over Omicron albeit them waning. Hence, we expect market to be range bound in the 1H2022, and post the recent correction, we deem the market to be attractive. We remain steadfast in our strategy to Overweight Financial and cyclical themes such as Consumer Discretionary, as well as Commodities. We may look to review our Tech position following the sell-off and in anticipation of a potential 2H rebound; reduce the Underweight on Plantation given the sustained strength in CPO prices; and actively assessing Gloves given the fluidity of virus situation. Though the market will likely be range-bound in 2022 but the index could rise comfortably to 1,600 pts by end-2022 should valuations revert to mean. Key risks to our view would be the derailment of Malaysia's macro recovery and corporate earnings growth due to a more severe impact of new Covid-19 variants and heightened political risks domestically, and larger-than-expected impact of rising inflation and consequently a more aggressive tapering.

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 January 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.