Sun Life Malaysia Growth Fund

June 2022

Sun Life

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	27.79 million units (30 June 2022)	Fund Size	RM71.47 million (30 June 2022)
Unit NAV	RM2.5716 (30 June 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	Suitable for investors: ▪ 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%

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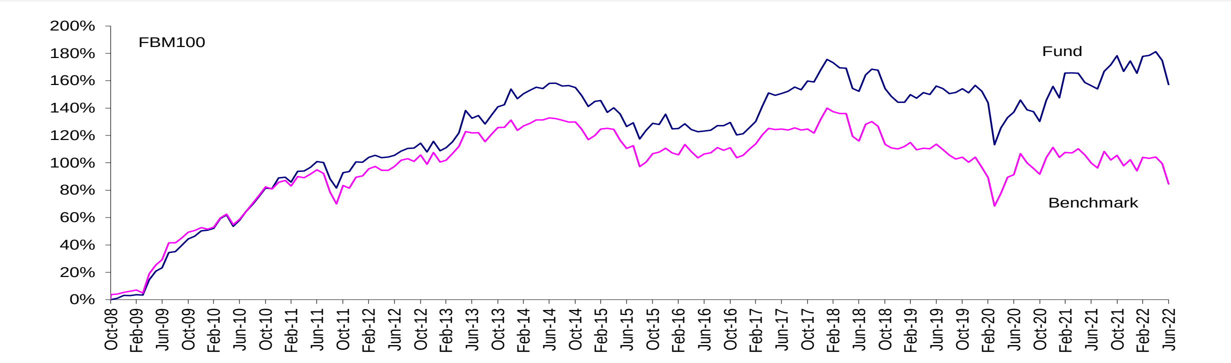
SECTOR ALLOCATION OF THE FUND	
Financial Services	25.94%
Industrial Products & Services	15.10%
Consumer Products & Services	14.27%
Plantation	9.67%
Technology	8.54%
Health Care	4.53%
Energy	4.20%
Transportation & Logistics	4.12%
Construction	3.71%
Telecommunications & Media	2.50%
Cash	7.42%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)	
Malayan Banking Bhd	7.79%
Petronas Chemicals Group Bhd	5.80%
CIMB Group Holdings Bhd	5.71%
Press Metal Aluminium Holding Bhd	5.68%
Genting Malaysia Bhd	4.48%
Public Bank Bhd - Local	4.46%
Hong Leong Bank Bhd	3.90%
IHH Healthcare Bhd	3.86%
Sime Darby Plantation Bhd	3.77%
Genting Bhd	3.24%
Total	48.69%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	-6.30	-6.43	0.30	0.41	2.61	25.15	157.16
Benchmark	-8.78	-7.47	-7.61	-13.62	-17.88	-6.47	84.56

** 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.

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FUND MANAGER'S COMMENTS

Market review

In June, the Fund down 6.43%, outperforming the benchmark by 104 basis points (bps). The outperformance was mainly due to the overweight in Consumer Discretionary and Information Technology as well as its underweight in Communication Services, Financials, Utilities and Health Care.

Portfolio Strategy

FBMKLCI slumped 126pts or 8% to 1,444pts in June 2022. The sell-off was triggered by the release of the US May inflation data with the CPI at 8.6% which was a fresh 40-year high and renewed fears that the Fed could over-tighten and landing the world's largest economy into a recession. Commodities-related stocks were the most battered – Energy (-17%), Plantations (-13%) – while Gloves also languished.

Malaysia's manufacturing sector picked up in June, with an improvement in the PMI from 50.1pts in May to 50.4pts. Production levels stabilized for the first time after five consecutive months of decline, while new orders rose for the third month running. Manufacturers noted that inflationary pressures strengthened for the first time in three months amid sustained material shortages and rising energy prices. The bright spot was that supply-chain constraints showed clear signs of easing which should help alleviate some industrial price pressure.

Bank Negara maintained GDP growth forecast of 5.3-6-3% for 2022. Despite the re-opening of borders and businesses following the lifting of Covid-19 restrictions, the central bank expects some impact from the Russia-Ukraine conflict. Headline inflation is also projected to average higher between 2.2% and 3.2%. As expected, BNM raised OPR by another 25bps to 2.25% in the latest MPC meeting and we expect a 25bps hike in the upcoming meeting. Economists now expect up to 75bps hike in 2H22, and a further 50bps 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. Malaysia's CPI rose 2.8% yoy in May, led mainly by higher food prices, up 5.2% versus the same period last year.

Valuation has turned compelling following the recent sharp sell-off. At c.13.5x rolling 1Y forward PE, that is approaching -2SD below the historical mean of 16x. We expect the KLCI to stage a rebound in 2H22, but trim our year-end KLCI target to 1,560pts (from 1,600pts) mainly factoring higher risk premiums in lieu of the elevated recession risk. Key driver for the market would be sustained corporate earnings delivery (consensus projecting flattish 2022 but 8% growth in 2023; ex-Gloves +16% and 9% respectively). That said, we remain mindful of the ongoing geopolitical risks with the Russian-Ukraine conflict, and domestically as Malaysia gears up for General Elections, speculated to be held in 2H22.

We continue to adopt a balanced approach between value and growth, whilst maintaining adequate diversification. While we still overweight cyclical themes such as Consumer Discretionary, we have turned more vigilant on Commodities. We now see good opportunity within Financials following the recent sell-off, as well Technology, particularly those with structural growth at reasonable valuation. Key risks are derailment of Malaysia's macro recovery and corporate earnings growth due to a larger-than-expected impact of rising inflation, slower global economic growth as well as heightened geopolitical risks.

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RISKS

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

Market risk	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: • Economic and financial market conditions • Political change • Broad investor sentiment • Movements in interest rate and inflation • Currency risks 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.
Company or security specific risk	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.
Credit risk	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.

Source : Principal Asset Management Bhd
Date : 30 June 2022