

# Sun Life Malaysia

## Asia Pacific Dynamic Income Fund

October 2022



### 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 | 184.08 million units<br>(31 October 2022)  | Fund Size    | RM264.06 million<br>(31 October 2022)   |
| Unit NAV             | RM1.4345<br>(31 October 2022)  | Dealing      | Daily<br>(as per Bursa Malaysia trading day)  |
| Fund Manager         | Principal Asset Management Bhd   | Target Fund  | Principal Asia Pacific Dynamic Income Fund  |
| 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

| Equity | Collective Investments | Cash  |
|--------|------------------------|-------|
| 91.41% | 1.51%                  | 7.08% |

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| SECTOR ALLOCATION OF THE TARGET FUND |         | TOP HOLDINGS OF THE TARGET FUND             |        |
|--------------------------------------|---------|---|--------|
| Financials                           | 19.92%  | Taiwan Semiconductor Manufacturing (Taiwan) | 5.73%  |
| Information Technology               | 16.81%  | CSL Ltd (Australia)                         | 3.76%  |
| Industrials                          | 10.59%  | CNOOC Ltd (Hong Kong)                       | 3.68%  |
| Consumer Discretionary               | 9.71%   | HDFC Bank Ltd (India)                       | 3.51%  |
| Others                               | 9.56%   | E Ink Holding Inc (Taiwan)                  | 3.42%  |
| Communication Services               | 8.40%   | Santos Ltd (Australia)                      | 3.21%  |
| Energy                               | 6.89%   | Bank Central Asia (Indonesia)               | 2.95%  |
| Health Care                          | 6.84%   | Singapore Telecommunications (Singapore)    | 2.85%  |
| Materials                            | 4.20%   | AIA Group Ltd (Hong Kong)                   | 2.81%  |
| Cash                                 | 7.08%   | DBS Group Hldg Ltd (Singapore)              | 2.65%  |
| Total                                | 100.00% | Total                                       | 34.57% |

### PERFORMANCE RECORD

This fund feeds into Principal Asia Pacific Dynamic Income Fund ("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 31 October 2022:

| %                | YTD    | 1M    | 6M     | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|--------|-------|--------|--------|---------|---------|-----------------|
| <b>Fund*</b>     | -16.26 | -2.24 | -12.42 | -17.67 | 4.62    | 5.98    | 43.45           |
| <b>Benchmark</b> | 6.62   | 0.64  | 3.92   | 8.00   | 25.97   | 46.93   | 81.58           |

\* 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 down -2.24% in MYR terms in October, underperforming the benchmark by 288 bps. YTD, the Fund is down -16.26%, underperforming the benchmark by 2,288 bps.

The MSCI AC Asia Pacific ex Japan Index retreated by 4.2% in USD terms in Oct 2022. China, Hong Kong and Taiwan were the worst performing markets. Key issues for the market are (1) when will US inflation pressures start to ease; (2) will the US economy see a soft or hard landing; and (3) when will China recover. The US 10-year bond yield rose by 22bps to 4.05% on the back of strong US CPI and hawkish Fed. While US inflation could peak in 4Q22, the question is whether it could ease quickly enough during 1H23. Chair Powell now sees policy rates peaking at a higher rate than previously thought in September. With US policy rate likely to move above the neutral rate, and most of Asia also experiencing higher inflation, with the exception of China, Asian central banks will most likely follow a similar path in raising rates.

We look for peaking in interest rates to turn more positive on Asian equities. In China, policies are slowly shifting to be more pragmatic after the 20th Party Congress in October, specifically on zero-Covid. We will look out for more clarity on the various economic policies that would be implemented to help support the economy and zero-Covid policy. We continue to be selective in China, focusing on beneficiaries of policy tailwinds and economic reopening. We expect Asia to print positive earnings growth in 2023 given the gradual reopening of the economies and international borders and possible easing of inflation. Other risks would be (1) persistently high inflation, (2) policy mistake, (3) geopolitics such as Russia-Ukraine and US-China relations. We have a slightly positive view on Asian equities, with valuations looking attractive. We prefer quality companies which have good earnings visibility, robust balance sheet, long term winners, market share gainers and those with pricing power to overcome cost pressures.

**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)**

|  |   |
|--|---|
| <b>Interest rate risk</b>                    | 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.   |
| <b>Risk associated with investing in CIS</b> | 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.   |
| <b>Risk of investing in emerging markets</b> | 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 : *31 October 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.