

# Sun Life Malaysia

## Asia Pacific Dynamic Income Fund

December 2023



### 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	191.24 million units (29 December 2023)	Fund Size	RM304.59 million (29 December 2023)
Unit NAV	RM1.5927 (29 December 2023)	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
89.25%	6.42%	4.33%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

Level 11, 338 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

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### SECTOR ALLOCATION OF THE TARGET FUND

Information Technology	19.43%
Financials	12.42%
Consumer Discretionary	11.25%
Industrials	10.81%
Energy	8.71%
Others	8.39%
Real Estate	8.20%
Materials	6.74%
Communication Services	6.67%
Health Care	3.06%
Cash	4.32%
<b>Total</b>	<b>100.00%</b>

### TOP HOLDINGS OF THE TARGET FUND

Taiwan Semiconductor Manuf (Taiwan)	7.34%
Samsung Electronics Co. Ltd (South Korea)	7.15%
HDFC Bank Ltd (India)	3.59%
Tencent Hldg Ltd (Hong Kong)	3.49%
CNOOC Ltd (Hong Kong)	3.45%
Reliance Industries Ltd (India)	3.03%
CapitaLand Integrated Comm Tru (Singapore)	3.03%
SK Hynix Inc (South Korea)	2.85%
NEXT FUNDS TOPIX Banks ETF (Japan)	2.83%
Ultra Tech Cement Ltd (India)	2.58%
<b>Total</b>	<b>39.34%</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 December 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	6.86	2.75	0.84	6.86	-4.18	31.19	59.27
<b>Benchmark</b>	8.00	0.66	3.96	8.00	25.97	46.93	98.63

\* 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

The Fund was up 2.75% in MYR terms in December, outperforming the benchmark by 209 bps. YTD, the Fund is up 6.86%, underperforming the benchmark by 114 bps.

The MSCI AC Asia Pacific ex Japan Index rose 4.5% in USD terms in December and ended the year advancing 4.6% in 2023. The best performing markets in December were Australia, India and Singapore while China continued to be laggard. US Core PCE rose less than expected, by 3.2% in November and nonfarm payrolls increased by a slower rate too. US Fed Chair Powell noted the significant progress in moderating inflation and the dot plot reaffirmed our expectation that US Fed is done tightening. The market has now priced in a 150 bps cut in interest rates in 2024. Key to watch is the labour market where the unemployment rate may rise faster than expected. Subsequently, the USD depreciated and the US 10-year bond yields fell almost 45 bps to 3.88% by end of 2023, which is at similar levels at the end of 2022. November data in China showed renewed weakness, where deflationary pressures intensified with CPI falling 0.5% YoY and retail sales were flat month on month. The Central Economic Work Conference (CEWC) highlighted the desire for economic stability, remain pro-growth and as such, we continue to expect accommodative fiscal policy stance. Policies around how the government can boost corporate and household confidence are still lacking and this remains the key for economic recovery in China. We remain selectively invested in China such as companies that will benefit from an expected pivot towards measures aimed at revitalizing domestic consumption and private sector. Outside of China, there are growth drivers such as India's strong economic growth, lower interest rates, supportive oil prices and a bottoming out of semiconductor industry that would lead to better earnings growth in Asia in the next 12 months. Other risks would be (1) inflation may prove stickier than expected; (2) continued weak business and consumer sentiment in China; and (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 December 2023**

**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.