

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	28.50 million units (29 December 2023)	Fund Size	RM79.31 million (29 December 2023)
Unit NAV	RM2.7832 (29 December 2023)	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%

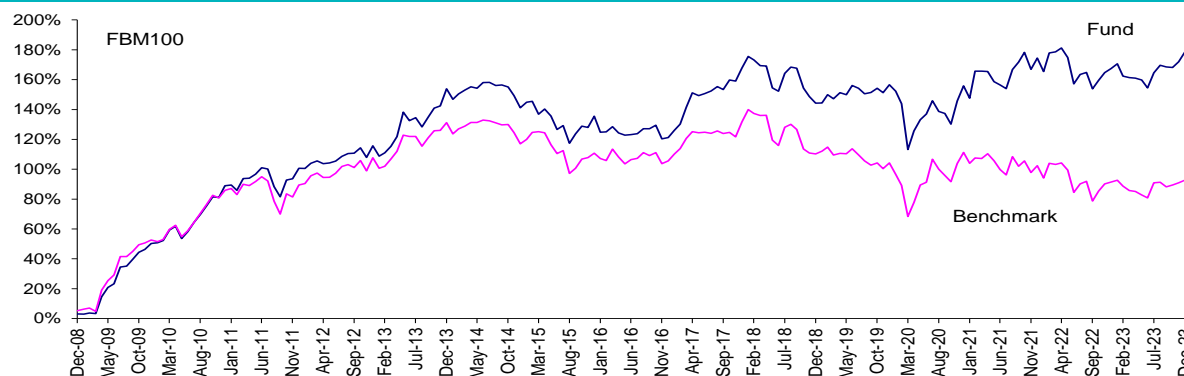
SECTOR ALLOCATION OF THE FUND

Financial Services	22.63%
Utilities	12.32%
Health Care	10.05%
Technology	10.04%
Industrial Products & Services	7.14%
Energy	6.92%
Transportation & Logistics	5.68%
Construction	5.64%
Consumer Products & Services	5.39%
Telecommunications & Media	3.42%
Property	2.87%
Plantation	2.85%
Cash	5.05%
Total	100.00%

TOP HOLDINGS OF THE FUND (EQUITIES)

CIMB Group Holdings Bhd	7.44%
Public Bank Bhd - Local	7.14%
Malaysia Airports Holding Bhd	5.68%
Tenaga Nasional Bhd	5.43%
Malayan Banking Bhd	5.26%
Hartalega Holdings Bhd	4.68%
YTL Power International Bhd	3.96%
Inari Amertron Bhd	3.16%
YTL Corp Bhd	2.93%
Gamuda Bhd	2.70%
Total	48.38%

PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	4.10	2.36	4.10	8.78	13.92	9.63	178.32
Benchmark	0.63	0.86	0.63	-8.84	-8.37	-16.71	92.61

* 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 December 2023, the Fund increased by 2.36%, outperforming the benchmark by 150 basis points (bps). The outperformance was mainly due to the fund's overweight in Healthcare, Utilities, Real Estate and Industrials as well as its underweight in Financials, Consumer Staples and Communication Services. On YTD, the Fund was up 4.10% which outperformed the benchmark by 347 bps.

Portfolio Strategy

KLCI was up only marginally in December, +2pts or 0.1%, and ended 2023 at 1,454.66 pts. Investors rejoiced at Fed's decision to hold rates and signaling the end of hikes given the cooling inflation data and recent economic data out of the US, coupled with the weaker Dollar and falling treasury yields. They were quick to lock in gains when the index rose to 1,470pts and ahead of the year-end holidays. Financials, Utilities, Healthcare and select Telcos saw gains, while select commodities and Consumer-related names were sold off. Within the broader market, Tech and Gloves did well, the latter spurred by recent surge in Covid-19 cases.

Malaysia's PMI was unchanged at 47.9 pts in December. According to S&P Global, Malaysian manufacturers continue to endure weak demand conditions, albeit the moderation of new orders was the softest since August. Also, firms hired for the first time in eight months while input prices eased. Manufacturers remain optimistic of demand conditions over the course of the next 12 months. The latest PMI suggests that GDP growth is running at similar level to that seen in 2Q and 3Q of 2.9% and 3.3% yoy respectively. To recap, BNM projects GDP to grow 4% in 2023 and 4-5% in 2024.

BNM maintained OPR at 3.00% in November's MPC. We expect no rate hikes for 2024 given muted inflation and modest economic growth. Inflation eased further to 1.5% in November, significantly undershooting BNM's revised target of 2.5-3.0% for 2023. Given the low base, there appears to be sufficient headroom to central bank's 2.1-3.6% CPI forecast for 2024 with the impending cut back in subsidies.

Malaysia's equity market valuation remains extremely compressed with forward PE of 13.4x which is still ~1.5SD below the historical mean. This is based on consensus earnings growth of 4% for 2023 and 11% for 2024. More clarity on the new Government's policy posture, in our view, should reduce the current extreme risk premiums applied to the market (yield gap of ~360bps). We are also hopeful that the newly launched National Energy Transition Roadmap (NETR) by the government would revitalize domestic investment and buoy consumption.

We see prospect for the KLCI to rise to 1,600 pts by end-2024. We identify 4 key catalysts that could spur the market: 1) Fed pivot and further weakness in the Dollar, 2) Reallocation of portfolio investments domestically, 3) Lower risk premiums as a result of fiscal consolidation and policy continuity and 4) Corporate earnings sustaining with growth re-accelerating; we highlight that ~80% of the listed market cap is domestic driven.

We remain positive on the market. We remain constructive on sectors that stand to gain from the NETR, including Utilities, Construction, and Property. Additionally, we remain optimistic on selective Technology due to the ongoing structural growth trends in the sector. We have also become more optimistic about selective Financials as we expect positive momentum to persist in the second half of the year, primarily fueled by better earnings outlook for 2HFY23. Key risks are the derailment of Malaysia's macroeconomic recovery and corporate earnings growth due to the larger-than-expected impact of rising inflation, slower global economic growth, and heightened geopolitical risks.

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 : *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.