

# Sun Life Malaysia

## Asia Pacific Dynamic Income Fund

June 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	191.42 million units (30 June 2023)	Fund Size	RM302.34 million (30 June 2023)
Unit NAV	RM1.5794 (30 June 2023)	Dealing	Daily (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

Equities (Foreign)	Mutual Fund	Equities (Local)	Cash
91.72%	2.21%	0.85%	5.22%

Sun Life Malaysia Assurance Berhad 199001005930 (197499-U)

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

Telephone (603) 2612 3600 Client Careline 1300-88-5055 [wecare@sunlifemalaysia.com](mailto:wecare@sunlifemalaysia.com) [sunlifemalaysia.com](http://sunlifemalaysia.com)

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### SECTOR ALLOCATION OF THE TARGET FUND

Information Technology	17.98%
Consumer Discretionary	16.02%
Financials	14.75%
Energy	9.05%
Communication Services	8.94%
Industrials	7.97%
Real Estate	7.17%
Others	6.69%
Materials	6.21%
Cash	5.22%
Total	100.00%

### TOP HOLDINGS OF THE TARGET FUND

Taiwan Semiconductor Manufacturing (Taiwan)	7.45%
Samsung Electronics Co. Ltd (South Korea)	6.05%
Tencent Holding Ltd (Hong Kong)	4.73%
HDFC Bank Ltd (India)	3.59%
AIA Group Ltd (Hong Kong)	3.36%
Alibaba Group Holding Ltd (China)	3.15%
CNOOC Ltd (Hong Kong)	2.94%
Shell PLC (United Kingdom)	2.88%
Galaxy Entertainment Group Ltd (Hong Kong)	2.73%
CapitaLand Integrated Commercial Trust (Singapore)	2.72%
Total	39.60%

### 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 30 June 2023:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
<b>Fund*</b>	5.96	3.09	5.96	1.08	18.46	20.34	57.94
<b>Benchmark</b>	3.89	0.63	3.89	8.00	25.96	46.93	91.09

\* 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 3.09% in MYR terms in June, outperforming the benchmark by 246 bps. YTD, the Fund is up 5.96%, outperforming the benchmark by 207 bps.

The MSCI AC Asia Pacific ex Japan Index rose 2.6% in USD terms in June, almost reversing the loss last month. Key issues for the market are (1) inflation and corporate earnings outlook for developed markets; (2) can China's growth sustain beyond 2023; and (3) how will geo-political tensions between US & China develop. The US headline CPI continues to moderate, sitting at 4.1% YoY in May, although core inflation is stickier, remaining above 5%. US Fed chose not to raise rates in June, but the revised dot plot showed a peak Fed fund rate of 5.6% this year, implying 2 more rate hikes. We maintain the view that we are near the end of rate hike cycle. The recovery in China has been slower than expected and uneven, and our recent trip to China pointed to weak consumer sentiment. There have been a series of policy easing measures announced to stabilise growth, but further policy measures are likely to be modest. We are selective in our stock selection, minimizing exposure to geopolitical risks or slower than anticipated recovery in domestic demand. Asia has stable domestic demand, improving corporate confidence, continued FDI inflows and a bottoming of the semiconductor cycle. Equities offer a compound 2-yr EPS growth of 8% p.a., 3% dividend yield and inexpensive valuations at 14x PER for 2023. We have a positive view on Asian equities given attractive investment themes and corporates have the potential to post better earnings growth than developed markets. We will continue to diversify the portfolio and focus on 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)**

**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 : 30 June 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.