Sun Life Malaysia Equity Income Fund

February 2024

Sun Life

FUND OBJECTIVE

To provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

FUND DETAILS

Launch Date	20 May 2014	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	6.50 million units (29 February 2024)	Fund Size	RM10.85 million (29 February 2024)
Unit NAV	RM1.6690 (29 February 2024)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Titans Income Plus Fund
Benchmark	50% FBM100 Index + 50% MSCI AC Asia ex-Japan Index	Taxation	8% of annual investment income
Risk Profile	Suitable for investors: ▪ Have a medium to long-term investment horizon ▪ Target capital appreciation ▪ Do not require regular income ▪ Comfortable with higher volatility ▪ Willing to take higher risk for potential higher gains	Fees	▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Equity Income Fund. ▪ Up to 1.5% per annum of fund management charge is applied on the target fund's NAV by Principal Asset Management Berhad.

ASSET ALLOCATION OF THE TARGET FUND

Equities (Foreign)	Equities (Local)	Mutual Fund	Cash
46.12%	42.91%	2.09%	8.88%

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SECTOR ALLOCATION OF THE TARGET FUND	
Information Technology	23.00%
Industrials	14.01%
Financials	10.87%
Energy	9.77%
Others	8.54%
Real Estate	6.02%
Communication Services	5.53%
Consumer Discretionary	5.40%
Utilities	5.04%
Consumer Staples	2.94%
Cash	8.88%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND	
Taiwan Semiconductor Manufacturing (Taiwan)	5.11%
CIMB Group Holdings Bhd (Malaysia)	4.13%
Tencent Hldg Ltd (Hong Kong)	3.31%
Taiwan Semiconductor Manufacturing ADR (United State)	3.05%
Tenaga Nasional Bhd (Malaysia)	3.05%
AIA Group Ltd (Hong Kong)	3.00%
Samsung Electronics Co Ltd (South Korea)	2.98%
Malaysia Airports Holdings Bhd (Malaysia)	2.61%
Reliance Industries Ltd (India)	2.57%
IJM Corp Bhd (Malaysia)	2.30%
Total	32.11%

PERFORMANCE RECORD

This fund feeds into Principal Titans Income Plus Fund (“target fund”) with the objective to provide investors with an opportunity to gain consistent and stable income by investing in a diversified portfolio of dividend yielding equities and fixed income securities. The Fund may also provide moderate capital growth potential over the medium to long-term period.

Table below shows the investment returns of Sun Life Malaysia Equity Income Fund versus its benchmark as at 29 February 2024:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	6.51	3.57	5.79	6.49	-1.65	28.69	66.90
Benchmark	4.69	4.08	6.16	8.65	-8.18	5.46	24.92

** 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

For the month, the fund rose +3.57% in MYR terms, underperforming the benchmark by -51bps. The underperformance of the month was driven by Consumer Discretionary, Industrial sand Health Care.

KLCI's rally extended into February, up 2.5% for the month. Financials, Utilities, Commodities and Telcos topped the gainers list. Within the broader market, Energy did well, and Tech rebounded strongly. We expect BNM to maintain OPR at 3.00% in the upcoming MPC meeting, as well as for the rest of the year given muted inflation and modest economic growth. Inflation was at 1.5% in January. There appears to be sufficient headroom to central bank's 2.1-3.6% CPI forecast for 2024 with the impending subsidy rationalization plans. Malaysia's equity market valuation still remains extremely compressed with forward PE of 13.5x which is still ~1.5SD below the historical mean.

We still retain our positive view on the market as we believe improved political stability, stronger earnings growth prospects and higher domestic investment investments would drive the market further. Our key preferred sectors remain those that stand to gain from the NETR, including Utilities, Construction, and Property. Additionally, we see opportunities in selected O&G names as we see value and we believe the sector will be supported by strong Petronas activity in the coming years. We also remain optimistic on selective Financials as we expect positive momentum to persist in 2024, primarily fueled by better earnings outlook.

The MSCI AC Asia Pacific ex Japan Index advanced by 4.3% in USD terms in February. The best performing markets were China and Korea, while Thailand and Australia lagged. In response to the weak economy, the China government continued to roll out new policies such as cutting the five-year loan prime rate by 25bps and promote equipment renewals and trade-ins of consumer goods. In Asia, there are growth drivers that will drive the earnings for 2024. For example, recovery in the semiconductor industry, India's strong economic growth and capex cycle, lower interest rates. In South Korea, the government promotes shareholder returns via 'Corporate Value-up Program". Valuation is attractive, with forward 12M P/E now stands at 13.1x, below the historical average of 13.8x.

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 in 2024. We will continue to diversify the portfolio and position the portfolio in areas where they are likely to print strong earnings growth such as the semiconductor industry, beneficiaries of AI spend, lower interest rate, or rising capex as well as India. We will also be selective in our investments in China, especially for those companies who have shown signs of turnaround.

RISKS

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

Stock specific risk	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.
Credit and default risk	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. We aim 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.
Interest rate risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments and money market instruments. When interest rates rise, debt instruments and money market instruments prices generally decline and this may lower the market value of the target fund's investment in debt instruments and money market instruments. In managing the debt instruments, we take into account the coupon rate and time to maturity of the debt instruments with an aim to mitigate the interest rate risk. As for money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike debt instrument, any change to interest rate will only have a minor impact to the prices of these instruments.
Country risk	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 in. 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.

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Currency risk	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 in the base currency 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.
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 subject to higher price volatility and therefore will tend to have a higher investment risk that will affect the target fund’s growth. We attempt to mitigate these risks through active asset allocation management and diversification across different countries and sectors, in addition to our continuous bottom-up and top-down research and analysis.
Risks associated with investment in warrants	There are inherent risks associated with investment in warrants. The value of warrants is influenced by the current market price of the underlying security, the exercise price of the contract, the time to expiration of the contract and the estimate of the future volatility of the underlying security’s price over the life of the contract. Generally, the erosion in value of warrants accelerates as it approaches its expiry date. Like securities, we will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.

Source : Principal Asset Management Bhd
Date : 29 February 2024