

Sun Life Malaysia Asia Pacific Equity Fund

February 2021



FUND OBJECTIVE

Aims to achieve long-term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex Japan region.

FUND DETAILS

Launch Date	13 February 2015	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	RM5.09 million units (26 February 2021)	Fund Size	RM8.77 million (26 February 2021)
Unit NAV	RM1.7237 (26 February 2021)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Target Fund	Principal Islamic Asia Pacific Dynamic Equity Fund
Benchmark	MSCI AC Asia ex Japan Islamic Index	Taxation	8% of annual investment income
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> ▪ Have a long-term investment horizon ▪ Want a well-diversified portfolio of Shariah-compliant equities in Asia Pacific (ex Japan) region ▪ Seek capital appreciation over long-term ▪ Can accept that investment returns fluctuate over the investment period 	Fees	<ul style="list-style-type: none"> ▪ Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia Asia Pacific Equity Fund. ▪ 1.8% pa fund management charge is applied on the target fund's NAV by Principal Asset Management Bhd.

ASSET ALLOCATION OF THE TARGET FUND

Shariah-compliant Equities (Foreign)	Shariah-compliant Equities (Local)	Mutual	Cash
89.94%	0.96%	0.67%	8.44%

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SECTOR ALLOCATION OF THE TARGET FUND	
Information Technology	31.53%
Consumer Discretionary	20.14%
Industrials	9.61%
Materials	8.48%
Communication Services	6.97%
Energy	6.51%
Health Care	3.96%
Real Estate	2.12%
Utilities	1.02%
Mutual Fund	0.67%
Consumer Staples	0.56%
Cash	8.44%
Total	100.00%

TOP HOLDINGS OF THE TARGET FUND	
Taiwan Semiconductor Manuf (Taiwan)	8.85%
Samsung Electronics Co. Ltd (South Korea)	8.54%
Alibaba Group Holding Ltd (Cayman Islands)	8.36%
Tencent Hldg Ltd (Hong Kong)	4.34%
Reliance Industries Ltd (India)	4.11%
Samsung Electronics-PFD (South Korea)	3.32%
Techtronic Industries Co (Hong Kong)	2.81%
SEA LTD (United States)	2.62%
Apollo Hospitals Ent Ltd (India)	2.55%
ASML Holding N.V. (Netherlands)	2.35%
Total	47.85%

PERFORMANCE RECORD

This fund feeds into Principal Islamic Asia Pacific Dynamic Equity Fund ("target fund") with the objective to achieve long-term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex Japan region.

Table below shows the investment returns of Sun Life Malaysia Asia Pacific Equity Fund versus its benchmark as at 26 February 2021:

%	YTD	1M	6M	1-Year	3-Years	5-Years	Since Inception
Fund*	4.45	0.57	18.88	42.22	36.42	80.55	72.37
Benchmark	4.62	0.79	15.04	34.63	28.20	88.79	81.11

* 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

In February, the Fund rose +0.57% in MYR terms, underperforming the Benchmark by 22 basis points (bps) led by China, Korea, Australia and Malaysia. Year-to-date, the Fund rose +4.45% in MYR terms, underperforming the Benchmark by 17bps.

Despite concerns of rising bond yields impacting equities, we see the recent market correction as temporary. The Fed and all other central banks are not even thinking about raising interest rates, nor reducing balance sheet size. This is because the focus remains on achieving high employment rate, attaining inflation target of about 2% and ensuring economic growth trajectory. We anticipate that the soonest possible date for a tapering of balance sheet would be more than a year away. Liquidity will continue to be ample and we expect fund flows to move to Asia given that it is under-owned, earnings momentum is strong and a weak US\$. While there are reasons to be positive, the risks are: a) A persistent rise in risk-free rate beyond a certain level could trigger a correction in risk assets b) The pace and degree of recovery in earnings and economic activities as market participants have priced in some of these.

We are fully invested and favour growth-oriented stocks. As we think the rally will broaden out this year, we have been adding stocks beyond the well-known tech companies in the areas of decorative paints in India and suburban malls in Hong Kong. We have been deploying cash from inflows amidst the market correction which we deem as temporary to ensure we are fully invested.

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.
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. 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 prices of units to fall.
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.
Risks associated with investment in warrants and/or options	There are inherent risks associated with investment in warrants and/or options. The value of warrants and/or options are 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 Shariah-compliant warrants accelerates as it approaches its expiry date. Like securities, Principal will undertake fundamental research and analysis on these instruments with an aim to mitigate its risks.
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 Sukuk and/or place Islamic deposits. Credit risk relates to the creditworthiness of the securities issuers or counterparties and their expected ability to make timely payment of profit 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 Sukuk, 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 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 Sukuk and Islamic money market instruments. When interest rates rise, Sukuk and Islamic money market instruments prices generally decline and this may lower the market value of the target fund's investment in Sukuk and Islamic money market instruments. In managing the Sukuk, Principal takes into account the coupon rate and time to maturity of the Sukuk with an aim to mitigate the interest rate risk. As for Islamic money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike Sukuk, any change to interest rate will only have a minor impact to the prices of these instruments.

Risk associated with investing in CIS

Since the target fund may invest into Islamic CIS, there is a risk of concentration into Islamic CIS, in which the Islamic CIS's management company has absolute discretion over the Islamic CIS's investment technique and knowledge, operational controls and management. In the event of mismanagement of the Islamic CIS and/or the management company, the NAV of the target fund, which invests into those Islamic CIS would be affected negatively. Should the situation arise, Principal will seek for another Islamic CIS that is consistent with the objective of the target fund.

Source : Principal Asset Management Bhd

Date : 26 February 2021

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.

Although Sun Life Malaysia Asia Pacific Equity Fund invests in Shariah-approved securities, the investment-linked insurance plan itself is not classified as a Shariah-compliant product.