

## HLMT MAA'ROF FUND (HLMTDM2)

Sep 2023

### Fund Features

#### 1. Investment Objective

HLMT Maa'rof Fund – HLMTDM2 (“The Fund”) aims to provide a convenient access into a diversified investment portfolio containing a balanced mixture of equities and Sukuk that complies to the Shariah requirements.

#### 2. Investment Strategy & Approach

At inception, this fund will invest by feeding into Hong Leong Dana Maa'rof (“Target Fund”), a shariah-compliant unit trust fund managed by Hong Leong Asset Management Berhad.

Generally, the Target Fund selects undervalued companies that have the potential to offer medium-to-long term (3 to 5 years) capital growth.

#### 3. Asset Allocation

The Fund will be investing a minimum of 90% of the Fund's net asset value (“NAV”) in the Target Fund and a maximum of 10% of the Fund's NAV in money market instruments and/or deposits.

The indicative asset allocation for the Target Fund is to invest a minimum 40% and maximum 60% of its NAV into Shariah-compliant equities. The Target Fund may also invest between 40% to 60% of its NAV into Islamic Money Market Instruments and Sukuk.

#### 4. Target Market

The Fund is suitable for investors who:

- Have conservative to moderate risk-reward temperament.
- Have preference in receiving regular income and returns from capital growth.
- Have medium-to-long term investment horizon.

### Fund Details

Unit Price (30/09/2023)	<b>RM 0.9728</b>
Fund Size (30/09/2023)	<b>RM 1.5mil</b>
Fund Management Fee	<b>1.50%</b>
Fund Manager	<b>Hong Leong MSIG Takaful Berhad</b>
Fund Category	<b>Islamic Balanced/Growth &amp; Income</b>
Fund Inception	<b>13/04/2021</b>
Benchmark	<b>FBM Emas Shariah Index + KLIBOR 3-months (60:40)</b>
Frequency of Unit Valuation	<b>Daily</b>

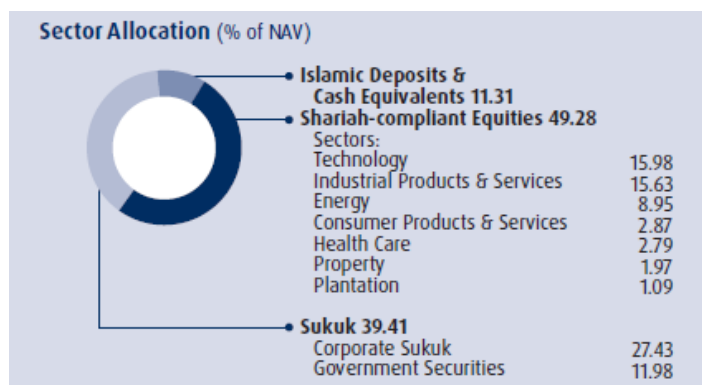
\*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

\*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website [www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx](http://www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx)

### Asset Allocation of HLMTDM2 as at 30 Sep 2023

Hong Leong Dana Maa'rof	96.1%
Cash	3.9%
<b>Total</b>	<b>100.0%</b>

### Sector Allocation of Target Fund as at 30 Sep 2023



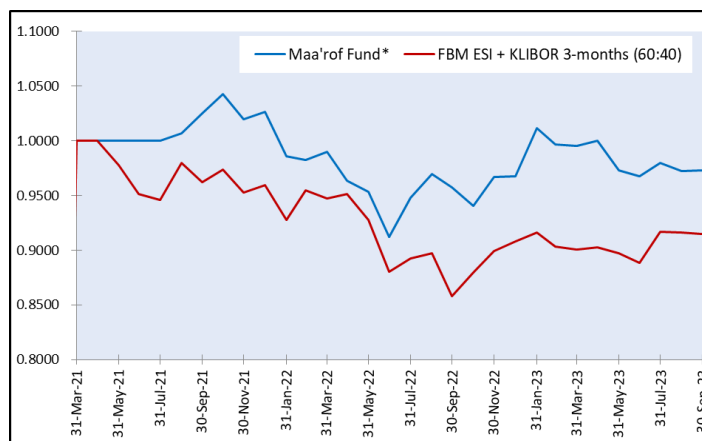
### Top 5 Shariah-compliant Holdings of Target Fund as at 30 Sep 2023

1	<b>Pentamaster Corporation Berhad</b>	<b>2.46%</b>
2	<b>Frontken Corporation Berhad</b>	<b>2.39%</b>
3	<b>UWC Berhad</b>	<b>2.33%</b>
4	<b>Velesto Energy Berhad</b>	<b>2.18%</b>
5	<b>D &amp; O Green Technologies Berhad</b>	<b>2.12%</b>

### Top 5 Sukuk Holdings of Target Fund as at 30 Sep 2023

1	<b>CIMB Bank Berhad – 2032</b>	<b>4.95%</b>
2	<b>Kimanis Power Sendirian Berhad</b>	<b>4.89%</b>
3	<b>Infracap Resources Sendirian Berhad</b>	<b>4.82%</b>
4	<b>Government Investment Issue - 2026</b>	<b>4.76%</b>
5	<b>CIMB Bank Berhad - 2031</b>	<b>4.73%</b>

### Historical Performance



Maa'rof	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	0.03%	0.53%	1.60%	-	-	-2.72%
Benchmark*	-0.14%	0.76%	6.67%	-	-	-8.48%
Relative	0.17%	-0.23%	-5.07%	-	-	5.76%

\*FBM ESI + KLIBOR 3-months (60:40) (Source: Lipper for Investment Management)

## **Market Review, Outlook & Strategy by the Target Fund**

### **Equities Market**

During the month of September, the FTSE BM KLCI retraced by 1.9% to close at 1,424 points. This is the second month of retracement since the July market run-up. The broader market underperformed as the FTSE BM EMAS Shariah Index was down by 0.42% to close at 10,874 points. Small cap maintained its outperformance with a 0.72% increase as FTSE BM Small Cap Index close at 16,188. The top three best performing sectoral indices in August 23 were the Energy, Healthcare and Construction sectors. The top three worst performing sectors were Finance, Technology and Utilities.

Foreign investors stayed net buyers in September 23 for the third month in a row, after previously net selling for ten consecutive months. Foreign net buy flows rose 378.5% mom to RM0.7 bn in September 23 compared to RM0.1 bn in August 23. This resulted in a cumulative net foreign outflow since 2010 of RM34.7 bn. Local institutional investors turned net sellers during September 23 with a net sell flow of RM545.1 mil compared to a net buy flow of RM432.1 mil in August 23. Local retail investors saw net sell flow decline 78.0% mom to RM95.1 mil in September 23 compared to a net sell flow of RM431.7 mil in Aug 23

On the corporate front, Sunsuria partners Australia's Icon Group to provide cancer treatment services in Malaysia. Dayang Enterprise has announced that its wholly-owned subsidiary company, Dayang Enterprise Sdn Bhd, has secured an extension for PM-MCM 2018-2023 contract from PTTEP Sarawak and Sabah Oil Limited (PTTEP). The extension duration is 1 year and 6 months, expiring on 31 December 2024. Kerjaya Prospek announced that its wholly-owned subsidiary, Kerjaya Prospek (M) Sdn Bhd (KPM) has received and accepted the final letter of award from Samsung-KP JV, a 70:30 consortium comprising KPM and Samsung C&T KL) Sdn. Bhd. in respect of the concrete structure works (Substructure & Superstructure) for Texas Instruments Electronic Malaysia Sdn Bhd's factory in Melaka for a total contract value of RM203 mil.

Locally, as expected, BNM maintained its OPR at 3.00% in September. Inflation numbers for September will also be monitored as investors would want to gauge the interest rate direction. Market is looking volatile in the near term given the global inflation rate remains high and the threat of higher interest rates going forward. However, domestically we remain steadfast as we are of the view that domestic economy is currently stable and valuations remains discounted.

The Fund will continue to identify companies that are potential winners in growing industries helmed by capable management.

### **Sukuk Market**

The U.S. Congress managed to avert full government shutdown after President Biden signed a last-minute stopgap measure that kept funding until mid-November. Despite lower recession risk probability and upside to U.S. growth, resumption of student loan payments, recent increases in energy prices, potential government re-shutdown, and United Auto Workers strike (which expanded to Ford and GM) likely to moderate headline growth.

US Treasuries long end rates continued to reprice at higher levels after selloffs in 10 years benchmark yields to 4.571% from 4.108% as Fed's Dot plots forward guidance indicated policy rates could remain at higher level for protracted period and market rerated for larger-than-expected issuance size for additional bill funding. Amid technical weakness in US rates market, developed market bonds continued to underperform in September with long-end of the curve bear steepened by 25 - 50 bps attributable to changes in monetary policy expectations. Emerging markets ('EM') continued to experience capital outflows amid flailing China's growth, widening DM-EM gaps and heavier debt burdens for EMs with higher shares of external government debt and more rigid FX regimes. China however, is expected to deliver 5% growth this year as PBOC's rate cut should steadily feed into the economy.

EM FX continued to be driven by technical rather than fundamental as interest rate differentials with broad EM currency weakening against the USD.

On local rates, the MGS yield curve bear steepened across key rates by 8 bps to 18 bps arising from higher US Treasury yield trend. BNM MPC widely expected to hold OPR at 3.00% in view of the supportive monetary policy level and moderating inflationary trend. Headline CPI remained at 2.0% year-on-year ('YoY') in August as monthly CPI grew marginally by 0.2% as core CPI receded to 2.5% YoY as compared to 2.8% in July 2023. Factory gate prices as measured by producers price index ('PPI') contracted to 1.8% YoY in August against -2.3% in July 2023 reflecting weaker manufacturing sector and declining energy prices.

Over the same period, the local corporate issuers swamped the market to front-load their fund raising in lieu with higher yields, with government guaranteed papers remained tight after MRL issued at 10 bps above similar maturity government benchmark yields while reNikola and UEM Sunrise saw issuances tightened at lower yield guidance from their initial reoffering levels.

We expect rates likely to be volatile on the upside as market continues to reprice UST yields at higher bound over higher for longer expected Fed Funds rates ('FFR'). Despite the market pricing in another 25 bps hike in FFR to 5.50% - 5.75% in 2023, there is possibility of another 25 bps hike in 1Q24 as U.S. labour market remained tight and growth is expected to outperform above 2.3% official growth based on Bureau of Economic Advisors ('BEA') forecast. Ringgit government yield curve continued to closely track the trends of U.S rates movement. MYR currency continued to be under pressured as EM FX is influenced by increasing interest rate differential despite real exchange rates remained undervalued. Given the potential upside repricing risk in yields, we prefer front-end segment of the curve (maturity of less than 3.5 years), Sukuk corporate credits to buffer the increased in rates with spreads and long position in high convexity papers (Sukuks with higher coupon clips) in order to reduce the duration risk inherent in the fixed income Sukuk exposure.

## Target Fund Performance

The actual investment return for the Target Fund was as follows:

	Percentage Growth		Annualised Compounded Return	
	HLD2 (%)	Benchmark (%)	HLD2 (%)	Benchmark (%)
Year-to-date	0.36	0.76	-	-
1 Month	0.00	-0.14	-	-
3 Months	0.63	3.01	-	-
6 Months	-2.66	1.63	-	-
1 Year	1.56	6.67	1.56	6.67
3 Years	33.19	-6.46	10.03	-2.20
5 Years	50.88	-2.46	8.57	-0.50
10 Years	88.79	6.76	6.56	0.66

Source: Hong Leong Asset Management Berhad

	HLD2 (%)	Benchmark (%)	HLD2 Distribution Yield (%)
2022	-6.60	-5.37	5.20
2021	19.81	-3.26	5.49
2020	28.51	7.50	7.99
2019	17.82	3.78	7.75
2018	-11.10	-6.77	5.97
2017	13.06	7.80	7.57
2016	-1.20	-2.29	7.13
2015	9.10	3.04	10.64
2014	0.08	-1.08	6.37
2013	7.03	9.28	3.52

Source: Hong Leong Asset Management Berhad

Notice: Past performance is not an indication of its future performance.

- Actual returns of the Target Fund on a net basis (net of tax and charges) or since inception if shorter (warming statement: this is strictly the performance of the Target Fund, and not the returns earned on the actual contributions paid of the Investment-Linked product).
- The investment returns shall be calculated based on the unit price of the Target Fund and the formula shall be consistent with that of the benchmark indices.
- Any performance comparison of Target Fund must be with that of a similar fund, in terms of investment objectives and focus and based on similar time frame of at least 12 months.

## Investment Risks

All investments carry risks. Investors must be prepared to accept a certain degree of risk when investing in this Fund. The following are some but not an exhaustive list of all the potential risks associated with investment in the Target Fund.

### 1. Market Risk

Due to price fluctuations of securities invested in by the Target Fund, the value of the investment may go up as well as down. The movement in securities prices is influenced by a number of factors, which include changes in economic, political and social environment.

### 2. Credit Risk

Applies to debt-type investments such as debentures and sukuk. The institution invested in may not be able to make the required profit payments or repayment of principal.

### 3. Profit Rate Risk

Applied to sukuk, security prices move in the opposite direction of profit rates. If profit rates rise and the security prices fall, this will lower the value of your investment and vice versa.

### 4. Liquidity Risk

Defined as the ease with which a security can be sold at or near its fair value. This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, such action itself may significantly depress the selling price.

### 5. Concentration Risk

Concentration risk occurs when a portfolio is overweight on a particular security, sector or asset class. As the fund invests mainly into third party collective investment scheme (CIS) and by virtue of the CIS investing in a diversified portfolio of equities as well as dynamic asset allocation strategy between equities and other financial instruments, the concentration risk is mitigated.

### 6. Target Fund(s) Risk

The fund invests in third party CIS which is being managed by another fund manager. The CIS is carefully selected in order to ensure that the objectives of said CIS are appropriately aligned with the fund. Nevertheless, the Fund Manager does not have control over the management of the CIS and any adverse effect on the CIS will inevitably affect the fund. In such instance, the Fund Manager may replace the CIS with another CIS which the Fund Manager considers to be more appropriate or invest directly in a diversified portfolio in order to meet the objective of the fund. Please also refer to the Target Fund's prospectus for more detailed and comprehensive information on Target Fund specific risk.

### 7. Shariah Status Reclassification Risk

This risk refers to the risk that the currently held Shariah-compliant securities by the target funds may be reclassified to be Shariah non-compliant in the periodic review of the securities by the Shariah Advisory Council of Securities Commission Malaysia (SACSC) or the Shariah Adviser for the Target Fund. If this occurs, the value of the Target Fund may adversely affect and the fund manager will take the necessary steps to dispose of such securities in accordance with the advice from Shariah Adviser.

## Basis of Unit Valuation

1. The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
2. The unit price of a unit of a fund shall be determined by the company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
3. The maximum value of any asset of any fund shall not exceed the following price:
  - a. The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
  - b. In the case of securities for which market values are not readily available, the price at which, in our Investment Manager's opinion, the asset may have been purchased on the business day before the valuation date; plus any expenses which would have been incurred in its acquisition.

4. To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the NAV per unit.

#### **Exceptional Circumstances**

The Takaful Operator reserves the right to defer the payment of benefits (other than death benefit) under this Certificate for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Takaful Operator, in its discretion, may consider exceptional.

#### **Basis of Calculation of Past Performance**

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

For the underlying target fund, past performance is calculated on NAV per unit to NAV per unit basis with gross income (if any) from target fund reinvested, since launch, in MYR terms.

HLMT Maa'rof Fund is managed by Hong Leong MSIG Takaful Berhad. Any amount invested in this fund is invested by Hong Leong MSIG Takaful Berhad on behalf of Participant into the Target Fund which will invest in shariah compliant equity, sukuk and money market instrument/s. If the financial institutions and/or corporations issuing the funds defaults or insolvent, the Participant risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by Hong Leong MSIG Takaful Berhad.

**THIS IS A TAKAFUL PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.**

#### **Disclaimer:**

You must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Participant to better understand the fund features.

#### **Others**