

HLMT MAA'ROF FUND (HLMTDM2)

Aug 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 (31/08/2023)	RM 0.9725
Fund Size (31/08/2023)	RM 1.5mil
Fund Management Fee	1.50%
Fund Manager	Hong Leong MSIG Takaful Berhad
Fund Category	Islamic Balanced/Growth & Income
Fund Inception	13/04/2021
Benchmark	FBM Emas Shariah Index + KLIBOR 3-months (60:40)
Frequency of Unit Valuation	Daily

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

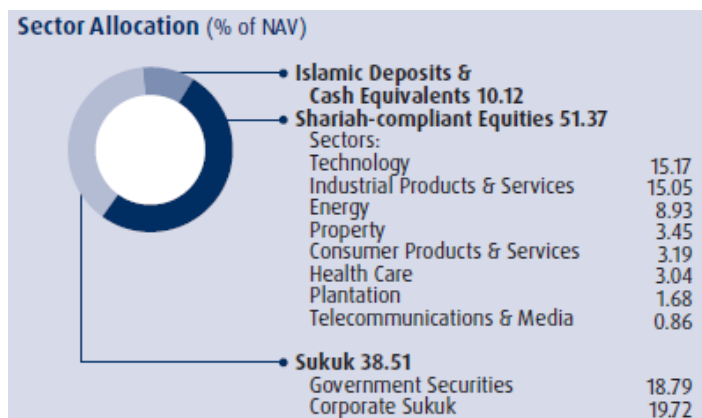
*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website

www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx

Asset Allocation of HLMTDM2 as at 31 Aug 2023

Hong Leong Dana Maa'rof	98.6%
Cash	1.4%
Total	100.0%

Sector Allocation of Target Fund as at 31 Aug 2023



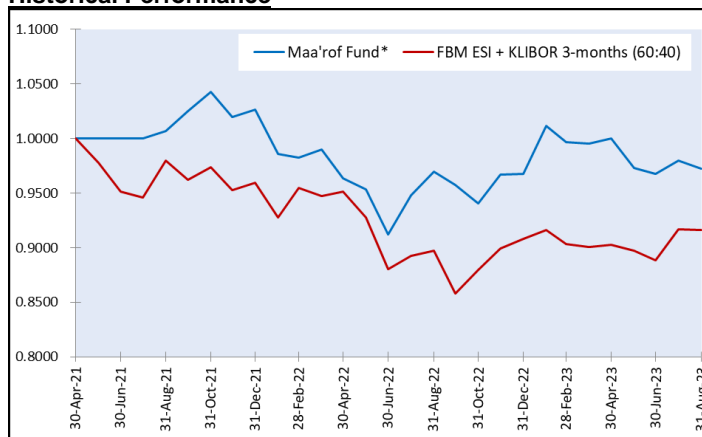
Top 5 Shariah-compliant Holdings of Target Fund as at 31 Aug 2023

1	Frontken Corporation Berhad	2.94%
2	Pentamaster Corporation Berhad	2.78%
3	UWC Berhad	2.43%
4	Velesto Energy Berhad	2.22%
5	YBS International Berhad	2.21%

Top 5 Sukuk Holdings of Target Fund as at 31 Aug 2023

1	Government Investment Issue – 2024	7.49%
2	Kimanis Power Sendirian Berhad	5.41%
3	Government Investment Issue – 2026	5.37%
4	Infracap Resources Sendirian Berhad	5.36%
5	Samalaju Industrial Port Sendirian Berhad	4.42%

Historical Performance



Maa'rof	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	-0.76%	0.50%	0.27%	-	-	-2.75%
Benchmark*	-0.06%	0.90%	2.15%	-	-	-8.35%
Relative	-0.70%	-0.40%	-1.88%	-	-	5.60%

*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 August, the FTSE BM KLCI retraced by 0.51% to close at 1,452 points. Market took a breather for the month following an overall run up in the month of July. The broader market slightly underperformed as the FTSE BM EMAS Shariah Index was down by 0.29% to close at 10,921 points. Small cap however continued its uptrend with a 3.11% increase as FTSE BM Small Cap Index close at 16,073. The top three best performing sectoral indices in August 23 were the Property, Utilities and Construction sectors. The top three worst performing sectors were Healthcare, Plantation and Telecommunication.

Malaysia was the only Emerging ASEAN country which had a net foreign inflow in August, albeit small at +USD31 mil. The net foreign equity inflow of RM140.8 mil is the 2nd consecutive monthly net inflow this year. Notably foreign participation in our market have also been on the rise, with average participation of 30% in Jul & Aug vs 27.4% in 2Q and 23.7% in 1Q this year. Local institution were net buyers for the month with a value of RM291 mil, while retailers were net sellers at RM432 mil.

On the corporate front, LGMS Bhd has successfully entered the Cambodian banking sector by assisting ABA Bank to obtain the international Payment Card Industry Data Security Standard certification. IHH Healthcare Bhd will acquire the entire equity interest in Bedrock Healthcare Sdn Bhd for a cash consideration of RM245 mil. Four companies, including MMC Corp Bhd and MRCB, could be in the running for the KLIA aerotrain replacement program, after MAHB said it plans to invite participants of its previous tender to vie for the job.

Locally, investors are on the lookout for the September MPC meeting (consensus' view BNM would maintain OPR rate). Inflation numbers for August will also be monitored as investors would want to gauge the interest rate direction. After the state election was done in August and the states remain status quo, the Government are focusing its effort a clearer economic policy to spur growth domestically and attract foreign investors into the country.

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

Sukuk Market

At Jackson Hole, it is unsurprising Chair Powell reiterated the hawkish guidance of additional policy rate increase needed and retaining it at a restrictive level for longer to reach the 2% inflation target. Despite a rise in U.S. non-farm payroll by 187,000 in August 2023, unemployment rate surged 0.3 percentage points to 3.8% with moderate pace of wage growth of 0.2% which could signal a reprieve to inflationary momentum. Rising crude oil price arising from OPEC & OPEC+ voluntary extension of oil production cuts likely to uplift inflationary pressure which decelerated to 3.3% YoY and core inflation growth of 0.2% MoM (+4.2% YoY) in August. Growth was slightly less brisk but still robust in 2Q23, with GDP growth at 2.1% YoY (Estimate: 2.4% YoY) with the economy expected to be soft with diminishing expectations of near-term recessionary risk in 2023.

Local government sukuk held up surprisingly well despite the US Treasuries ("UST") selloffs across the curve. Domestic sukuk market yields ended mixed with longer-tenured sukuks (15 -30 year) inched up by 2 - 8 bps on cautious sentiment ahead of the Jackson Hole meeting, while yields for shorter-tenured sukuk slipped by 1 – 5 bps. The 3-year closed at 3.46%, 5-year at 3.60% and 10-year at 3.85%. Government guaranteed papers is trading at 15 – 18 bps (average: 25 bps) tight against similar maturity government sukuks. Tender auction in August were relatively strong.

For private debt securities, the 3 years AAA-rated spread widened by 3.5 bps (0.035%) to 48.8 bps (0.488%) while the AA-rated yield differential with government sukuks were relatively steady at 65 – 75 bps. Notable issuances are Mercedes-Benz Services Malaysia Sdn Bhd (Rating: AAA) which its 3 years issuance at 3.95% while Sime Darby Property Bhd (Rating: AA+) re-tapped the market with multi-tranche issuances of 3-, 5- and 7 years at 4.08%, 4.14% and 4.28% respectively.

Following August CPI, still-resilient labour and wage growth and higher crude oil prices, Jerome Powell reiterated Fed's calling for higher-for-longer policy rate with dot projection of another 25 – 50 bps hike in Fed Funds rate to 5.50 – 5.75%. The market however, is pricing out recession scenario in 2023, anticipating a soft-landing instead of a contraction with U.S growth forecast at 2 – 2.5% YoY. The Eurozone however, is expected to slip deeper into contraction while China is likely to meet its official growth target of 5 – 6.0% despite ongoing domestic credit crunch in the real estate sector.

Domestically, Malaysia's July headline inflation moderated the 11th consecutive month to 2.0% YoY, the lowest since Aug 2021 with core CPI decelerated to 2.8% YoY (June: 3.1% YoY). GDP growth normalized to 2.9% YoY on high base effect and slower external demand. We expect year-end average inflation rate at 2.8% YoY and GDP growth to be closer to 4% given weaker global production of electronic and electrical (E&E) and soft commodity prices e.g. crude palm oil. With the balance of risk tilted to the downside and external headwinds, we expect BNM to maintain OPR at 3.00% in 2023.

For rates strategy, we are overweighting short government sukuks and government guaranteed papers with maturity of less than 5 years given increasing US rate volatility and its spill-over into local yield. In relation to private debt securities, we maintain our strategy on high-grade primary corporate sukuk auction given healthy pipeline issuances as well as opportunistic trading in the secondary market. We favour papers that are trading at attractive yield-to-duration and coupon to increase the convexity profile of our sukuk funds.

Target Fund Performance

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

	Percentage Growth		Annualised Compounded Return	
	HLD2M (%)	Benchmark (%)	HLD2M (%)	Benchmark (%)
Year-to-date	0.36	0.90	-	-
1 Month	-0.65	-0.06	-	-
3 Months	-0.10	2.16	-	-
6 Months	-2.76	1.43	-	-
1 Year	0.15	2.15	0.15	2.15
3 Years	32.15	-7.40	9.74	-2.53
5 Years	51.74	-2.80	8.69	-0.57
10 Years	90.55	8.72	6.66	0.84

Source: Hong Leong Asset Management Berhad

	HLD2M (%)	Benchmark (%)	HLD2M 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.

Others

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.