

HLMT MAA'ROF FUND (HLMTDM2)

February 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.

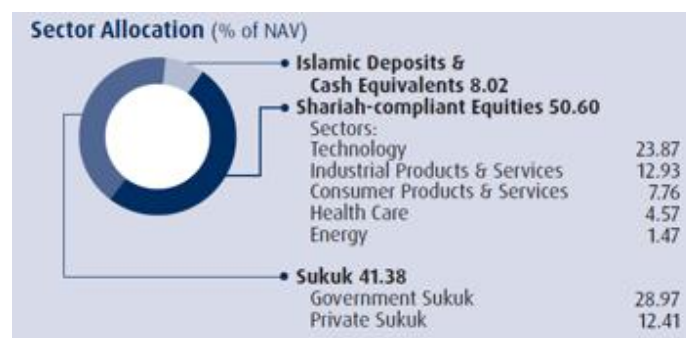
Fund Details

Unit Price (28/02/2023)	RM 0.9967
Fund Size (28/02/2023)	RM 1.0mil
Fund Management Fee	1.50%
Fund Manager	Hong Leong MSIG Takaful Berhad
Fund Category	Islamic Balanced/Growth & Income
Fund Inception	13/04/2021
Benchmark	(40% x 3-month KLIBOR) + (60% x FBM Emas Shariah Index)
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

Target Fund Sector Allocation as at 28 February 2023



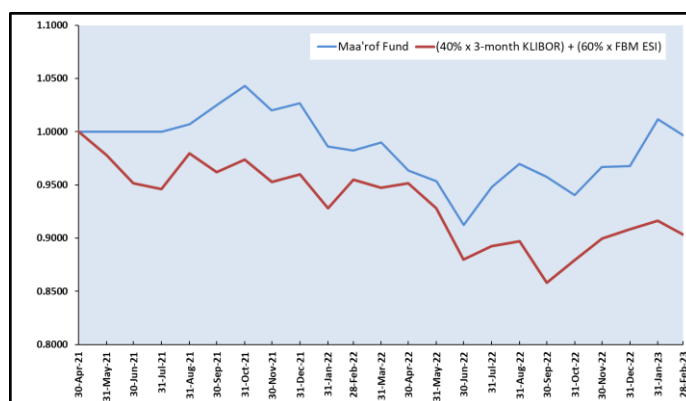
Target Fund Top 5 Equity Holdings as at 28 February 2023

Rank	Equity Holding	Percentage
1	Berjaya Food Berhad	3.92%
2	D&O Green Technologies Berhad	3.88%
3	Focus Point Holdings Berhad	3.85%
4	Genetec Technology Berhad	3.83%
5	Pentamaster Corporation Berhad	3.82%

Target Fund Top 5 Sukuk Holdings as at 28 February 2023

Rank	Sukuk Holding	Percentage
1	Government Investment Issue – 2026	9.64%
2	Government Investment Issue – 2024	9.61%
3	Samalaju Industrial Port Sdn Bhd	7.90%
4	Government Investment Issue – 2028	3.95%
5	Lembaga Pembiayaan Perumahan Sektor Awam	3.87%

Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	-1.47%	3.00%	1.45%	-	-	-0.33%
Benchmark*	-1.40%	-0.52%	-5.38%	-	-	-9.65%
Relative	-0.07%	3.52%	6.83%	-	-	9.32%

*40% x 3-month KLIBOR + 60% x FBM ESI (Source: Lipper for Investment Management)

Market Review, Outlook & Strategy by the Target Fund

Equities Market

During the month of February, the FTSE BM KLCI fell by 2.1% to close at 1,454 points, due possibly to concerns over rising rates and earnings risks. The broader market outperformed as the FTSE BM EMAS Index fell by 2.5% to close at 10,798 points. Small cap also underperformed FBMKLCI, down by 4.5% as the FTSE BM Small Cap Index close at 15,435. The top three best-performing sectoral indices in Feb 23 were construction, property and utilities sectors. The top three worst-performing sectors in Feb 23 were industrial, technology and energy.

Foreign investors remained net seller for the sixth consecutive month, but their net sell flow fell 16% mom to RM169 mil in February 2023. Local institutional investors turned largest net sellers in February 2023 with net sell value of RM1.06 bn, from being a net buyer of RM916 mil of equities in January 2023. Both retail and nominee investors were net buyers.

On the corporate front, Sarawak Consolidated Industries Bhd's (SCIB) has terminated engineering, procurement, construction and commissioning (EPCC) project valued at RM55.59 mil in Sumatera, Indonesia. The government is said to be moving ahead with the Mass Rapid Transit Line 3 (MRT3) but the funding model has reverted to debt issuances by DanaInfra Nasional Bhd instead of hybrid financing. According to sources privy to the matter, the government is also working towards reducing the cost of the MRT3 – initially planned at RM50.2 bn – by slashing the project management cost, which is now estimated at RM9 bn, in the upcoming Budget 2023 announcement.

Malaysia is scheduled to hold its Monetary Policy Committee (MPC) meeting on 9 March 2023, where investors will be closely watching if Malaysia will raise its OPR rate. Investors will also be focusing on the upcoming release of the Bank Negara Report in March. Also in focus will be the upcoming US Federal Open Market Committee (FOMC) on 21-22 Mar and new developments from the ongoing Parliament session till 30 March 2023.

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

Sukuk Market

The Fed slowed its pace of rate hikes to 25bps at its latest meeting to bring the upper bound fed rate to 4.75%, in line with market expectation. The US Leading Economic Index's (LEI) rate of decline moderated as per expectations to -0.3% in January (Dec: -0.8%), which showed a decline of 3.6% over the 6-month period between July 2022 and January 2023, steeper than its 2.4% contraction over the previous 6-months period. Whilst the LEI indicator signals a near-term recession, the labour market indicators were still robust. Nonetheless, high inflation, rising interest rates, and contracting consumer spending could still tip the US economy into a shallow recession for the year.

In Malaysia, the Budget 2023 was retabled on 24 Feb with a higher spending allocation of RM388b compared to the initial budget tabled last year (RM372b). The fiscal deficit target was trimmed to 5% of GDP for 2023 vs the initial target of 5.5%. Local government bond markets were relatively resilient despite weaker sentiment in US Treasuries. On a month-on-month basis the 3-year and 10-year MGS yields stood at 3.51% (+18 bps) and 3.95% (+16bps) respectively. The new 20.5-year GII was issued last week and drew about 2.6x bid-to-cover ratio with a smaller than expected auction size of RM2.5 billion with another MYR 2.5bio privately placed.

The Fed funds futures traders are now pricing a 73% probability that the Fed will raise interest rates by another quarter-of-a-percentage-point to a range of 4.75% to 5% on March 22, followed by another 25-basis-point move in May. That would bring the terminal rate to a range of 5.25% to 5.5% in July, and remain above 5%-level for the rest of this year.

Locally, headline inflation eased for the fifth straight month to 3.7% year-on-year (YoY) (Dec: 3.8%) in January marking its lowest reading since June 2022. The Malaysian economy slowed to 7.0% YoY in 4Q22 from 14.2% in 3Q22, although slightly higher than market estimate of +6.7%. This brought the full year 2022 GDP growth to 8.7% YoY (2021: +3.1% YoY). The 4Q22 growth was underpinned by a mix of domestic demand (mostly private consumption), as well as a pick-up in net exports. Manufacturing posted a larger slowdown to 3.9% YoY (3Q22: 13.2%) compared to services sector's 8.9% YoY (3Q22: 16.7%). Given a moderation in global commodity prices and softer domestic growth momentum, we expect Bank Negara to extend its interest rate hike pause at the next MPC meeting in March.

In terms of portfolio strategy, we will continue to participate in primary auctions and high investment grade corporate primary bond issuances as well as in the secondary market when opportunity arises as we do see a healthy pipeline on primary issuances.

Target Fund Performance

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

	Percentage Growth		Annualised Compounded Return	
	HLDM2 (%)	Benchmark (%)	HLDM2 (%)	Benchmark (%)
Year-to-date	3.21	-0.52	-	-
1 Month	-1.60	-1.40	-	-
3 Months	3.33	0.45	-	-
6 Months	2.99	0.71	-	-
1 Year	1.30	-5.38	1.30	-5.38
3 Years	50.03	1.96	14.48	0.65
5 Years	56.48	-6.04	9.36	-1.24
10 Years	104.33	13.34	7.40	1.26

Source: Hong Leong Asset Management Berhad

	HLDM2 (%)	Benchmark (%)	HLDM2 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: Lipper For Investment Management, In MYR Terms.
Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

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.

If the fund invests in Foreign Assets, it will be exposed to the following risks:

8. **Country Risk**

The foreign investments made by the fund are subjected to risk specific to the country in which it invests. Such risks include changes in a country's economic fundamentals, social and political stability, currency movement, foreign investment policies and etc. The risk may be mitigated by closely monitoring the developments in the countries in order to identify any emerging risk.

9. **Currency Risk**

The risk applies to foreign investment, in which the investment may rise or fall due to fluctuation in the foreign currencies. Adverse movements in currencies exchange rates can result in a loss to the investment.

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.