

## HLMT MAA'ROF FUND (HLMTDM2)

Dec 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 (31/12/2023)	<b>RM 0.9451</b>
Fund Size (31/12/2023)	<b>RM 1.8mil</b>
Fund Management Fee	<b>1.50% p.a</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>

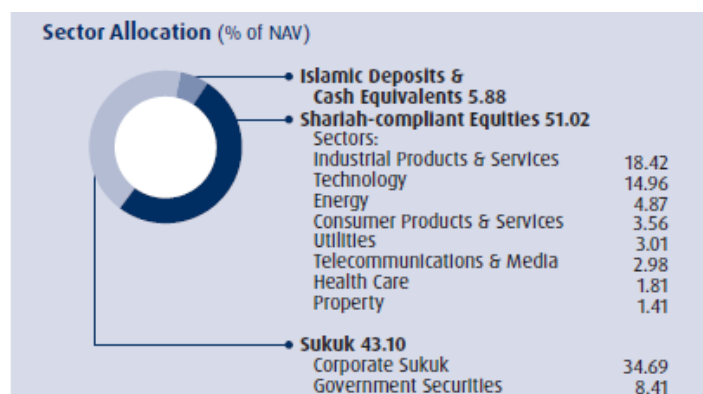
\*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

\*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 31 Dec 2023

Hong Leong Dana Maa'rof	97.6%
Cash	2.4%
<b>Total</b>	<b>100.0%</b>

### Sector Allocation of Target Fund as at 31 Dec 2023



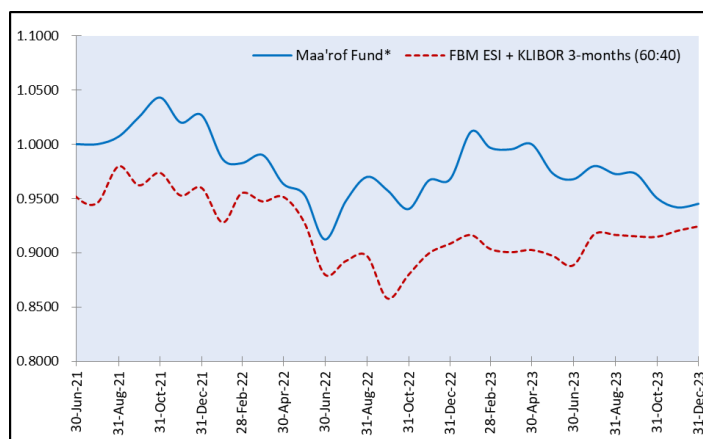
### Top 5 Shariah-compliant Holdings of Target Fund as at 31 Dec 2023

1	Tenaga Nasional Berhad	3.01%
2	Telekom Malaysia Berhad	2.98%
3	Dufu Technology Corporation Berhad	2.34%
4	Frontken Corporation Berhad	2.30%
5	P.I.E Industrial Berhad	2.22%

### Top 5 Sukuk Holdings of Target Fund as at 31 Dec 2023

1	Sepangar Bay Power Corporation Sdn Bhd	4.16%
2	Kimanis Power Sdn Bhd	4.11%
3	CIMB Group Holdings Berhad – December 2032	4.09%
4	CIMB Group Holdings Berhad – September 2032	4.05%
5	Government Investment Issue - 2026	4.01%

### Historical Performance



Maa'rof	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	0.35%	-2.34%	-2.34%	-	-	-5.49%
Benchmark*	0.44%	1.77%	1.77%	-	-	-7.57%
Relative	-0.09%	-4.11%	-4.11%	-	-	2.08%

\*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 December, The KLCI rose 0.13% MoM to 1,455 pts, ending the year with three consecutive months of positive gains. Despite the gains, the KLCI underperformed both the MSCI Emerging Market index (+3.7% MoM) and the MSCI All Country Asia ex-Japan Index (+3.3% MoM) in December 23. KLCI also underperformed all the other MIST (Malaysia, Indonesia, Singapore, and Thailand) markets, with Singapore's STI (+5.4% MoM), Indonesia's JCI (+2.7% MoM) and Thailand's SET (-2.6% MoM) all posting gains in the final month of 2023.

The broader market slightly underperformed as the FTSE BM EMAS Shariah Index was up by 0.54% to close at 10,988 points. Small cap outperformed as well with a gain of 1.45% as FTSE BM Small Cap Index close at 16,353. The three best-performing sectorial indices in Dec 23 on a mom basis were Utilities (+7.3%, led by YTL Power), Healthcare (+6.9%, driven by Gloves) and Construction (+3.3%), while the three worst-performing sectors were Energy (-1.4%), Consumer (-1.3%), and Plantation (-0.5%).

Foreign investors stayed net buyers in December 23 with net buy flows of RM0.3 bn, which was 83.5% lower than the buy flow of RM1.6 bn in November 23. Local institutional investors, on the other hand, stayed net seller, with a net sell flow of RM56.2 mil for the month. This marked the first time in 2023 where local institutions net sold two months in a row. Local retail investors saw net sell flows contract 24.6% MoM to RM92.2 mil in December 23, making them net sellers for six months in a row.

On the corporate front, MBM Resources Bhd's shares fell, following news that Daihatsu Motor Co Ltd will temporarily halt shipments of all vehicles. According to reports, an investigation found issues involving 64 models, including almost two dozen sold under Toyota's brand. KNM has denied claims that its premises were raided by the police recently, saying the authorities had only sought its assistance for an investigation.

Locally, investors are on the lookout for the unemployment rate that is scheduled to be released in early January as well as the inflation numbers towards the end of the month. While most corporates have already announced their quarterly financial results, investors are looking out for the guidance and outlook going into 2024 as sentiment are looking better. US inflation rates and the rate cuts possibilities will also be closely monitored as this could provide a boost towards the Ringgit and in turn the equity market in general.

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

### **Sukuk Market**

The U.S. Fed in its December 2023 final Federal Open Market Committee (FOMC) meeting for the year, unanimously agreed to keep the target range of its Fed Funds Target Rate (FFTR) unchanged at 5.25%-5.50%. The central bank also released its quarterly Summary of Economic Projections ('SEP') that reflects participants' assessments of the monetary policy path in 2024 with participants projecting lower Fed Funds rate of 4.50% in 2024 and 3.50% in 2025 (midpoint of projected target range) against the backdrop of easing inflationary pressures but remained elevated above long-run average inflation target of 2.0%. For the full year, the 10 years UST benchmark yield closed the year unchanged at 3.879% relative to the start of 2023 at 3.875%.

UK headline inflation further eased in November to 3.9% YoY relative to 10.5% YoY at the start of 2023 underpinned by falling wholesale energy and food prices may provide headroom for Bank of England to aggressively cut rates in mid-2024. Inflationary

pressures in Canada further decelerated to 3.1% YoY in November, half of when the economy entered the year with policy rates likely to eased in 2024. Amid cooling global inflationary pressures, 2024 could be a busy political year with major presidential and national elections lineup e.g. US Presidential election (Nov 2024), UK and India national election (summer of 2024), Indonesia and Taiwanese presidential election (Jan/Feb 2024) amongst others.

Local sovereign bonds extended the rally mainly driven by foreign buying but profit-takings emerged ahead of the US jobs report. Overall, yields declined 2-8 bps across the long end of the curve except the front-end where yields marginally rose. The yield curve continued to bull flatten with the 7- and 10-year MGS benchmark yields closing flat at 3.73%, whilst the 15- and 30-year MGS on-the-run yields settled at 3.99% and 4.25% respectively from 4.02% and 4.30% in prior month-end. We expect BNM to maintain the OPR in 2024 underpinned by moderating inflationary pressures, steady credit growth and growth-driven private consumption. For the full calendar year of 2023, the 10 years benchmark MGS and GII yields rallied as compared to the beginning of above 4%.

On corporate bond issues, PLUS Highway (AAA rated) issued RM750 million bonds with a bid-to-cover ratio of 3x. The final yield for the 5-year was 3.95% and 7-year was 4.03%. The 5 years AAA-rated corporate yield spread relative to similar maturity government benchmark bond yield tightened to 39 bps relative to 48 bps in prior month.

For the full year, the MYR underperformed against the USD, depreciating to 4.5940 as of December 2023 from 4.4040 at the start of the year underscoring the widening policy rate differential between the US and Malaysia. The US Fed had quadrupled their Fed Funds Rate hike by 200 bps while BNM only tightened 50 bps.

With stable OPR, we will gradually recalibrate our fund strategy to increase duration incrementally towards the year end. Recent bear steepening of yield curve at the intermediate segment may see levels turning attractive especially if BNM is expected not to raise rates further in the next year. We continue to overweight corporate bonds for additional yield pickup over comparable government and government guaranteed bonds despite credit spreads had compressed across the ratings curve. Our preference are tilted towards papers with high coupon clips to minimize volatility should rates react adversely.

### **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	-2.87	1.77	-	-
1 Month	0.38	0.44	-	-
3 Months	-3.22	1.00	-	-
6 Months	-2.61	4.04	-	-
1 Year	-2.87	1.77	-2.87	1.77
3 Years	8.70	-6.84	2.82	-2.33
5 Years	64.59	3.94	10.47	0.78
10 Years	78.46	4.03	5.96	0.40

Source: Hong Leong Asset Management Berhad

Calendar Year Returns			
	HLD2 (%)	Benchmark (%)	HLD2 Distribution Yield (%)
2023	-2.87	1.77	4.32
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

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.