

HLMT MAA'ROF FUND (HLMTDM2)

Feb 2024

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 (29/02/2024)	RM 0.9733
Fund Size (29/02/2024)	RM 2.1mil
Fund Management Fee	1.50% p.a
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

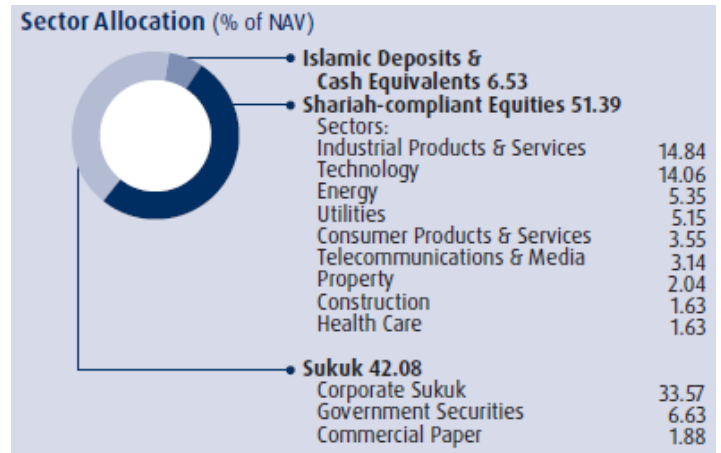
*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

*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 29 Feb 2024

Hong Leong Dana Maa'rof	99.0%
Cash	1.0%
Total	100.0%

Sector Allocation of Target Fund as at 29 Feb 2024



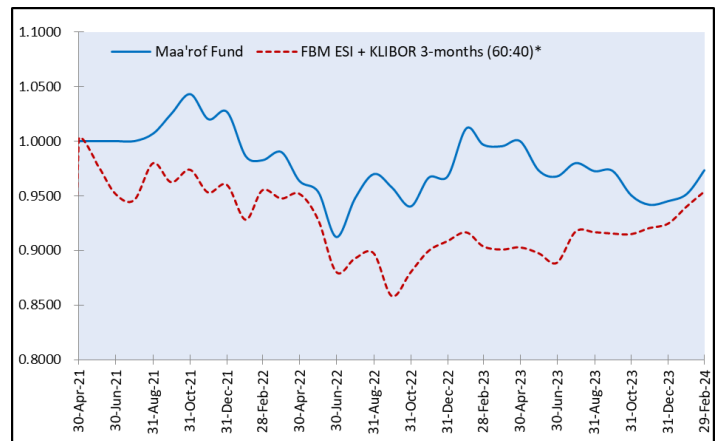
Top 5 Shariah-compliant Holdings of Target Fund as at 29 Feb 2024

1 Tenaga Nasional Berhad	5.15%
2 Telekom Malaysia Berhad	3.14%
3 Frontken Corporation Berhad	2.52%
4 P.I.E. Industrial Berhad	2.21%
5 Dufu Technology Corporation Berhad	2.11%

Top 5 Sukuk Holdings of Target Fund as at 29 Feb 2024

1 CIMB Group Holdings Berhad - December 2032	3.98%
2 Sepangar Bay Power Corporation Sdn. Bhd.	3.96%
3 CIMB Group Holdings Berhad - September 2032	3.95%
4 Infracap Resources Sendirian Berhad	3.91%
5 Kimanis Power Sendirian Berhad	3.91%

Historical Performance



Maa'rof	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	2.27%	2.98%	-2.35%	-	-	-2.67%
Benchmark*	1.44%	3.18%	5.55%	-	-	-4.64%
Relative	0.83%	-0.20%	-7.90%	-	-	1.97%

*Source: Bloomberg

Market Review, Outlook & Strategy by the Target Fund

Equities Market

FTSE Bursa Malaysia KLCI Index rose for the fifth consecutive month in February with a gain of 2.54%. The broader market outperformed both FTSE BM EMAS Shariah Index and FTSE BM Small Cap Index which were up by 2.22% and 0.35% respectively. The three best-performing sectorial indices in February 2024 on a MoM basis were Technology (+4.2%), Consumer (+3.7%), and Energy (+3.3%), while the three worst performing sectors were Healthcare (-4.2%), Utilities (0.5%), and Property (0.1%).

Foreign investors still remained net buyers with net buy flows of RM1.3 bn (RM0.7 bn in January 2024), the fourth consecutive month of net buy. Local institutional players however, turned to net sellers for the month, with a net sell of RM721.4 mil.

On the corporate front, Kuala Lumpur City Hall has expanded the scope of ITMAX System Bhd's contract to install and maintain the networked street lighting systems in Kuala Lumpur by RM47.2 mil. REDtone Digital Bhd bagged a RM398.1 mil MyGovUC 3.0 contract from the Malaysian Administrative Modernisation and Management Planning Unit to provide unified communications solutions. Sunway Construction Group Bhd said it has secured a RM720.99 mil shopping mall project in the Kinta district in Perak, in a related party transaction, begin on 1 March 2024 and is expected to be completed by 31 January 2027.

Key events to watch in March 2024 include the first Parliamentary sitting from 26-27 March, the MPC meeting on 6-7 March, the US Fed meeting on 19-20 March and the release of the Bank Negara Annual Report as well as the Economic and Monetary Review for 2023 on 20 March.

We are quite optimistic on the equity market this year. The current market valuation is still at a discount compared to its long-term average. Coupled with a decent earnings' growth, the market could potentially stage a rebound in the near to mid-term.

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

Sukuk Market

2Y and 10Y UST benchmark yields ended higher at 4.62% and 4.25% respectively in end-February (end-January: 4.21% and 3.91%) following stronger-than-expected consumer spending and Producer Price Index which lent credence to the Fed's narrative of "staying higher for longer". US headline consumer prices remained steady at 0.3% MoM in February (January: 0.3% MoM; December: 0.2% MoM), largely contributed by food prices which has risen 0.5% MoM. US ISM manufacturing and services were mixed with the former still in contractionary while the services index rose to 53.4 in January as compared to 50.5 in prior months. Pending home sales plunged by 4.9% in January, the largest since August 2023 as mortgage rates pushed towards 7% amid delayed rate cuts. Market volatility is anticipated to spillover into March as traders are taking near-term bets on consolidated price-ranged on mixed bag of economic indicators. Increasing systemic in the commercial real estate ('CRE') sector however, after a 97% surged in January 2024 foreclosure relative to the same month in 2022 consequently resulted New York Community Bancorp taken larger provisioning in loans tied to commercial property while Japan's Azora and Deutsche Bank lifted provisions for losses in loans linked to US commercial rate.

Implosion in European CRE post insolvency of Austrian property group, Signa Group had impacted global institutional investors which includes Singapore GIC Pte., Saudi Arabia's Public Investment Fund and Swiss-based wealth manager Julius Baer. In context, EU banks have about €1.4 trn (US\$ 1.5 trn equivalent) in loans linked to troubled commercial property industry with Deutsche Bank having € 17 bn in loans outstanding to US CRE

while Deutsche Pfandbriefbank had €5 bn exposure or 15% of its loan book. Both Rabobank and BNP Paribas are the top holders of EU CRE debt with the sector experiencing low take up rates, elevated vacancy rates and lower transaction volume as tenants looking for space optimization to accommodate hybrid working and cost reductions.

On local front, 3Y, 5Y and 10Y Sukuk benchmark yields rose to 3.47%, 3.61% and 3.86% respectively end-February versus respective 3.43%, 3.58% and 3.82% in prior month after US Fed guided on a 'no-rush' rate cut, preferring to delay the timing of easing. The 15-year GII reopening saw decent demand, with an encouraging book-to-cover (BTC) of 2.973x with performance of Ringgit denominated Sukuks was relatively well-anchored despite the softer UST Treasury yields.

Malaysia's inflation in January 2024 was relatively unchanged at 1.5% YoY since November 2023, driven by slower increases in various sectors including food and beverages. Core inflation increased at a slower pace of 1.8% YoY as compared to 1.9% YoY in December 2023 but surpassing the national average rate of 1.5% YoY driven by moderate increases in Restaurant & Accommodation services as well as F&B segment. Full year GDP growth in 2023 missed the official target of 4 – 5%, coming in at 3.7% YoY underpinned by exports slumped and weaker manufacturing sector. Notwithstanding, we are of the view that the economy is expected to continue delivering moderate growth of 4.3% YoY in 2024, over sustained domestic demand, exports recovery, improved tourist arrivals and low growth base.

With relatively steady inflationary pressures, moderate growth trajectory, low unemployment rate and underperformance of MYR against other regional peers, we expect Bank Negara Malaysia to maintain OPR at 3.00% throughout 2024 and a bias of 25 bps cut in 2025 to reflect coordinated easing with developed market central banks.

With relatively stable OPR, we will gradually recalibrate our fund strategy to increase duration incrementally towards the year end. The yield curve has been relatively flat given BNM is expected to not raise rates nor eased further in 2023 compounded by scarcity in primary issuances. We continue to overweight corporate Sukuks for additional yield pickup over comparable government and government guaranteed bonds despite spreads had compressed across the ratings curve. Our preference is 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	3.21	3.18	-	-
1 Month	2.49	1.44	-	-
3 Months	3.60	3.64	-	-
6 Months	-0.11	4.06	-	-
1 Year	-2.87	5.55	-2.87	5.54
3 Years	-0.98	-3.20	-0.33	-1.08
5 Years	62.58	5.74	10.20	1.12
10 Years	83.47	7.86	6.25	0.76

Source: Hong Leong Asset Management Berhad

Calendar Year Returns			
	HLD M2 (%)	Benchmark (%)	HLD M2 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 affected 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.