

HLMT MAA'ROF FUND (HLMTDM2)

Mar 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 (31/03/2024)	RM 0.9967
Fund Size (31/03/2024)	RM 2.2mil
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

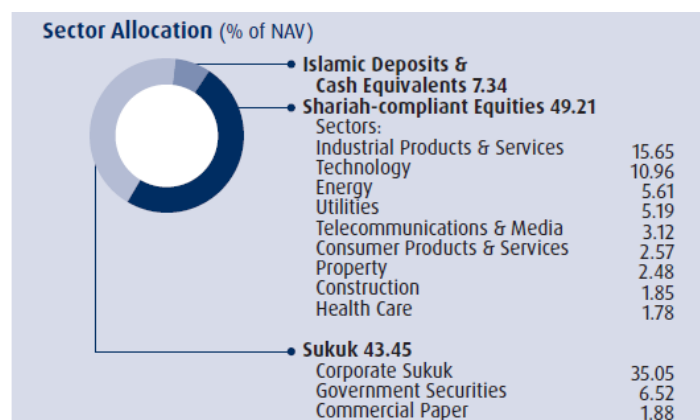
*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

*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 31 Mar 2024

Hong Leong Dana Maa'rof	99.4%
Cash	0.6%
Total	100.0%

Sector Allocation of Target Fund as at 31 Mar 2024



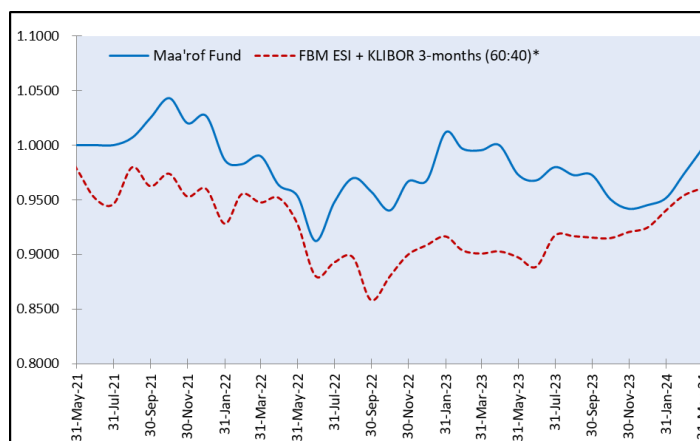
Top 5 Shariah-compliant Holdings of Target Fund as at 31 Mar 2024

1 Tenaga Nasional Berhad	5.19%
2 Telekom Malaysia Berhad	3.12%
3 Frontken Corporation Berhad	2.66%
4 Eastern & Oriental Berhad	2.48%
5 P.I.E. Industrial Berhad	2.34%

Top 5 Sukuk Holdings of Target Fund as at 31 Mar 2024

1 CIMB Group Holdings Berhad - December 2032	4.00%
2 Sepangar Bay Power Corporation Sdn. Bhd.	3.96%
3 Infracap Resources Sendirian Berhad	3.92%
4 Kimanis Power Sendirian Berhad	3.91%
5 CIMB Group Holdings Berhad - September 2032	3.88%

Historical Performance



Maa'rof	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Maa'rof	2.40%	5.46%	0.14%	-	-	-0.33%
Benchmark*	0.71%	3.92%	6.66%	-	-	-3.95%
Relative	1.69%	1.54%	-6.52%	-	-	3.62%

*Source: Bloomberg

Market Review, Outlook & Strategy by the Target Fund

Equities Market

The KLCI fell 1.0% month-on-month (“MoM”) to close March at 1,536 pts, ending its run of five consecutive months of gains. The broader market underperformed both FTSE BM EMAS Shariah Index and FTSE BM Small Cap Index which were up by 1.0% and 3.1% respectively. The three best performing sectorial indices on a MoM basis were Property (+9.3%), Construction (+5.6%), and Transport (+3.6%), while the three worst-performing sectors were Telecom (- 2.6%), Consumer (-1.2%), and REIT (-0.5%).

Foreign investors turned net sellers after previously net buying for four consecutive months, with net sell flows of RM2.9 bn in March (vs. net buy flow of RM1.3bn in February). Local institutional investors became net buyers for the month, with a net buy flow of RM3.5 bn (vs. net buy flow of RM721.4m in February). Local retail investors remained net sellers for the ninth month in a row, although their net sell flows continued to narrow 17.5% MoM to RM292.3 mil in March.

On the corporate front, Velesto announced that it has received Notices of Assignments for Naga 2, 4 and 6 from Petronas Carigali, for two years commencing from 7 Feb 2024 until 6 Feb 2026, inclusive of the continuation of the current drilling campaign, for a total contract value of US\$73 mil, US\$95 mil, and US\$97mil. Hibiscus Petroleum secures 30-month extension for Fyne Oil Field licence. KJTS announced that it has received a letter of award (LOA) from Syarikat Takaful Malaysia Keluarga Berhad (STMKB) for the replacement works of the chiller system and, subsequent provision of operation and maintenance (O&M) services at Menara Takaful Malaysia in Kuala Lumpur. This contract has a total value of RM6.6 mil.

Key events to watch in April domestically is the first quarter GDP that should be announced on the third week of April. Also in focus, Malaysia inflation rate and the Producer Price Index (“PPI”) that should come out later of the month. Investors will also be keeping eyes on the development over in the US, especially on the trajectory of the US interest rates.

Although we still expect the market to be volatile in the short term, we are quite positive on the domestic equities market over the medium to longer term. This is stemmed from the possible US interest rate hikes in the second half of 2024, making the interest rates differences lesser compared to Malaysia. Valuation-wise, despite a good run on a YTD basis, our market is still relatively cheap compared to the long-term average and better corporate results could boost the interest from both local players and foreign investors.

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

Sukuk Market

US Treasuries bull flattened MoM at the long end while the short-end of the curve remained relatively unchanged as March FOMC maintained its lower dot plot projection of 50 – 75 bps Fed Funds rate easing in 2024 following quarterly released of summary of economic projection. The short-end of the yield curve was relatively unchanged but the intermediate and long-end of the curve bull flattened by – 3 bps to – 6 bps with 10 years UST benchmark yield traded below 4.20% from 4.251% end-February. US CPI continued to be well-behaved, posting 3.2% YoY but MoM accelerated to 0.4% in February (Jan: 0.3%), the fastest pace since September 2023. Overall US Treasuries rallied but the bullish sentiment likely to be bounded by Fed’s signalling cautiousness over pre-emptively cutting rates ahead of potential inflationary pressures following higher crude oil and agriculture commodities prices and upward revision to US GDP growth in 2023 from 3.2% to 3.4% YoY.

Similarly, local sukuk/bond curve bull flattened in tandem with the bullish sentiment in US Treasuries as recent long-end 10- and 30 years MGS and GII auctions garnered healthy bid-to-cover exceeding 2.0x. Despite healthy auction demand for the long-ends, the most recent 5 years MGS benchmark reopening auction drew tepid demand at 1.8x over lackluster trading interest despite reasonably active price discovery in the when-issued (“WI”) market. The GII yield curve slid 1 – 5 bps MoM with biggest yield movements from the longer-dated paper.

For currency, MYR slightly strengthened against the USD MoM by 0.38% to settle at 4.7250, reaching an intra month low of 4.6782 before weakening ahead of Fed members’ neutral comments on rate cuts. Against other regional peers however, the MYR had outperformed on a year-to-date (“YTD”) basis against THB, KRW, and IDR ‘but trailing behind SGD. Our view is that MYR is undervalued by 2 – 3 % against the USD and is likely to average 4.55 – 4.60 in 2024 amid a narrowing interest rate and tighter inflation differential. BNM had also released its forecast for 2024 GDP growth which is likely to improve to 4 – 5.0% with headline inflation to average 2 – 3.5% YoY and core inflation likely to be stable at 2 – 3.0%. Inflation risk outlook likely to be tilted on the upside on subsidy rationalization, tight commodity market amid climate-change and heightened geopolitical tensions

The Securities Commission (“SC”) recorded an increase in fund management and net assets value (“NAV”) of unit trust funds by 7.6% to RM975.5 bn primarily driven by better valuation in 2023. Industry asset allocations were primarily in equities (48.7%) followed by fixed income (23.0%) and money market (13.3%). Other than industry equities allocation, both fixed income and money market asset fund allocation witnessed a decline by -0.3% and -1.5% respectively. Allocation of unit trust funds in foreign assets increased by 16.9% to RM329.3 mil while allocation to domestic assets improved by RM21.3 bn to RM646.2 bn driven by higher allocation to fixed income securities. Net redemption slowed in 2023 with – RM9.1 bn of outflows following last year’s redemption of -RM9.6 bn mainly driven in the mixed asset space. For the PRS space, there were 14 PRS funds offered by 9 PRS providers with a total of 4 new PRS funds launched and 1 PRS terminated in 2023. The NAV saw a commendable growth of 19.2% to RM6.5 bn with RM 767 mil invested into PRS in 2023.

Short term rates continue to inch higher amid quarterly financial closing thereby spurring demand for short-term deposits for window-dressing activities. The 3 months KLIBOR steadily climbed from 3.55% to 3.59% while the 6 months KLIBOR slightly inched higher by 1 bps to settle at 3.64%. We think short-term rates are likely to normalize post quarterly closing and earnings season.

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	5.92	3.92	-	-
1 Month	2.63	0.71	-	-
3 Months	5.92	3.92	-	-
6 Months	2.51	4.95	-	-
1 Year	-0.21	6.66	-0.21	6.66
3 Years	2.36	-1.99	0.78	-0.67
5 Years	62.92	6.61	10.24	1.29
10 Years	86.06	7.26	6.40	0.70

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.