Monthly Fund Fact Sheet as at 31 October 2022
MIDF AMANAH GROWTH FUND

NOVEMBER 2022

FUND OBJECTIVE

The objective of the fund is to achieve long-term capital growth through investments in large, well-established companies which conform to Shariah principles.

THE FUND IS SUITABLE FOR INVESTORS WHO:

- Are seeking long term capital growth, who wish their investments to be in line with Shariah principles;
- Are prepared to assume a high level of stock market risks

FUND DETAILS (as at 31 October 2022)

Fund size	RM 6.154 million
Unit NAV	RM 0.4518
Fund Inception	2 December 1966
Financial Year End	15th day of April
Management Fee	1.5% p.a. of NAV
Trustee Fee	0.08% p.a. of NAV
Initial Service Charge	Up to 5.00% of NAV
Redemption Payment Period	Within 10 calendar days
Investment Manager	MIDF Amanah Asset Management Bhd

MANAGER'S COMMENTS

Review

US equities recovered in October, after several weeks of declines, due to a positive earnings season. At the halfway stage, around three-quarters of companies reported better-than-expected results. The gain came despite the Federal Reserve (Fed) confirming that tighter monetary policy is still needed to contain elevated inflation. Economic data was also mixed. Industrial data looks to weaken further at the start of Q4, with the composite purchasing managers' Index (PMI) falling from 49.5 to 47.3 in October. Most other global equity markets were also in the green, except for China's based stock markets, which showed weaknesses as the Communist Party Congress signaled no let-up in the zero-Covid policy and reinforced President Xi's authority.

Our main Index, the FBM KLCI, registered a positive return of 4.7% in October, supported by a pre-election rally and strong interest in glove companies after a continuous lockdown in China and the discovery of the latest Covid-19 subvariant, BQ.1 and BQ.1.1, which contain genetic mutations that make it harder for the immune system to recognize and neutralize the virus. In addition, other benchmarks such as FBM Mid 70, FBM Emas, FBM Hijrah Shariah, and FBM Emas Shariah also rose in October, with 0.53%, 3.75%, 4.48%, and 4.03%, respectively.

On the sectoral basis, ten out of thirteen sectors were in the green, with the FBM Bursa Malaysia Healthcare Index leading the way with a gain of 15.21%, supported by a strong showing of the gloves companies. FBM Bursa Malaysia Transportation Index was not far behind, with a return of 11.86% driven by strong performance of MISC and other logistic names. On the other hand, FBM Bursa Malaysia Technology Index was still the worst-performing sector, down by 3.79%, owing to the bearish sentiment from the expectation of aggressive interest rate hikes by central banks globally. Meanwhile, on the year-to-date performance (YTD), the position was reversed, with only three sectors in the positive territories. At the end of October, Only FBM Bursa Malaysia Finance, Plantation, and Transports were in the green with 5.79%, 5.00%, and 1.20%, respectively. FBM Bursa Malaysia Technology Index continued to be the worst performer, with a negative return of 39.34%, followed by the FBM Bursa Malaysia Healthcare Index with a -27.17% return.

The month of October saw the second consecutive net selling by foreign investors, valued at RM594 million, slower in pace compared to their net selling in September, which amounted to RM1.6 billion. While foreign investors continued to be net buyers YTD, their amount has been reduced to RM6 billion (peak at around RM8 billion in August). Their participation rate decreased slightly to 29% from 30% in September. Local Institutional investors stayed as the largest net buyers for two consecutive months, buying RM 885 million worth of equities. The latest purchase has reduced their YTD net sales to RM8.3 billion. In terms of participation rate, they are still the largest player in the Malaysian markets, with a participation rate of 46%. On a note, local retail investors turned net sellers in October with sales worth RM133 millions of equities in October, lowering their YTD net buy of Malaysian equities to RM2.2 billion.

Investment Outlook & Strategy

The IMF projects global growth will slow down from 3.2% in 2022 to 2.7% in 2023 as it sees massive challenges for the global economy, shaped by lingering effects of the Russian-Ukraine war, a cost-of-living crisis, and economic slowdown in China. According to IMF, there is a 25% probability that 2023 global growth could fall below 2%. It is expected more than a third of the global economy will contract this year or next.

Nevertheless, price pressures in developing Asia including Malaysia remain modest compared to advanced economies, supported by positive consumer sentiment whilst the economy continues to attain stability with an average GDP growth of 7% in 1H2022. In addition, the World Bank had revised up its 2022 economic growth forecast for Malaysia from 5.5% to 6.4% while the Standard & Poor had revised Malaysia's GDP to grow to 7% in 2022 versus earlier expectation of 6.1%. Malaysia's overall economic activity has been ramping-up towards pre-Covid level driven by reopening tailwinds and unleashing of pent-up demand after a period of global restrictions since the Covid-19 pandemic started in 2020.

Nonetheless, having not spared from the global slowdown, Malaysia faces numerous economic threats, posting growth risks to the downside for 2022 and 2023. Our main trading partner, China, is tackling simultaneous challenges on top of maintaining its Covid-Zero strategy. Soaring inflation prompts a more aggressive monetary tightening in the US and other major central banks, thus fueling recession fears. High prices for essentials are also reducing spending power across trading partners, damping non-commodity export receipts. The domestic political upheaval with elections slated in November 2022, may sideline investors until further policy clarity being established.

The upbeat momentum of economic reopening may fade as pent-up demand becomes satiated and as government spending on fuel subsidies reaches its limit. Higher inflation will dent household spending power. A prolong inflationary pressures with higher borrowing costs will crimp investments whilst steeper slowdowns in the US, China and Europe will dent exports.

Longer term, fiscal consolidation to keep debt at a sustainable level will hinder the government's ability to support plans for the country's transformation to a high-income economy. Capital spending by the private sector will also be more constrained if borrowing costs and political uncertainty remain elevated. These are amongst the key immediate concerns that the government is religiously taking measures to address, so as not to further derail the overall economic growth.

The outlook for FBM KLCI is expected to remain bumpy in the fourth quarter of 2022 and investors are expected to tread cautiously and adopting tactical strategy in light of the highly volatile market conditions. Malaysia is projected to face heightened political uncertainty until after elections. It is expected that the outcome of the elections will remain unpredictable, and we continue to flag elevated risks to policy continuity over the coming quarters.

Nevertheless, the FBMKLCI which is currently trades at -2.1 standard deviation (STD) below 5-year mean (a sharp correction from its peak of +1.5 STD in December 2020 when the index was at 1,685 points), provides a good opportunity for value investors to enter Malaysian equities, while the solid dividend yield of 5.02% further improve the total returns for investors. From a multiple forward valuation of 12.7x (E) PER for 2023, the index is trading well below its 5-year mean of 18x PER.

Taking cognizant of macro headwinds with confluence of challenging economic outlook, it is imperative to have a defensive and prudent approach in navigating the uncertainties. Strategy going forward will be anchored on positioning the portfolio going into year 2023:

- Focus on **recovery/re-opening and structural growth themes**. For recovery themes, we focus on value and cyclical growth sectors such as Consumer Discretionary, Telecommunication, Energy, Industrials and Materials. For structural growth themes, we like sectors such as Technology and Renewable Energy which valuations have become attractive following the recent selloff.

- Remain **buyers on market weakness**, taking opportunities to buy selectively on dips, astute stock picking, nibbling value, and cyclical names on weakness, with core holdings in growth, defensive, and high-yielding stocks.

- **A balance portfolio** with a combination of value and growth stocks remains relevant in navigating the highly volatile market conditions. Our focus will anchor on building value stocks with quality tilt (strong cash flow and solid earnings growth) and appealing dividends to minimize downside risks or value contraction whilst capturing alpha on the potential upside.

- **Active asset allocation strategy with a more defensive approach** is pivotal as market prices are likely to correct materially lower in a scenario of economic slowdown, with the resulting downward earnings revisions on the back of the generally bearish sentiment. Hence, we reiterate the case for a prudent and defensive asset allocation to risky assets going into 4Q2022, waiting for more visibility on corporate earnings growth.

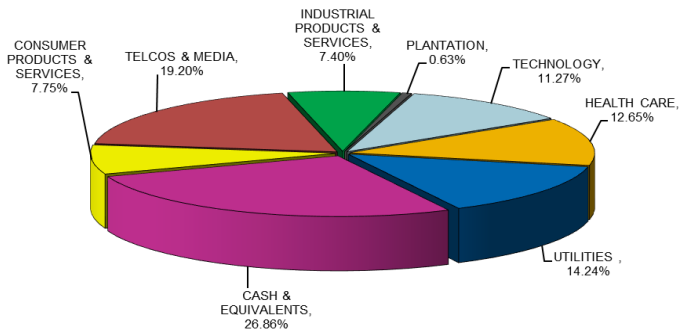
We will continue to **remain committed towards our Sustainable Responsible Investment** ("SRI") as well as Environmental, Social, and Governance ("ESG") themes across our investment approach, reinforced by our product launches as well as investment solutions/value propositions.

(1) Based on the fund's portfolio returns as at 10 October 2022, the volatility Factor (VF) for this fund is 11.02 and is classified as "low" (source:Lipper).
(2) Volatility Factor (VF) is subjected to monthly changes and Volatility Class (VC) will be revised every six months.
(3) The portfolio composition may change overtime, therefore there is no guarantee that the VF and VC to remain constant.

LARGEST HOLDINGS (as at 31 October 2022)

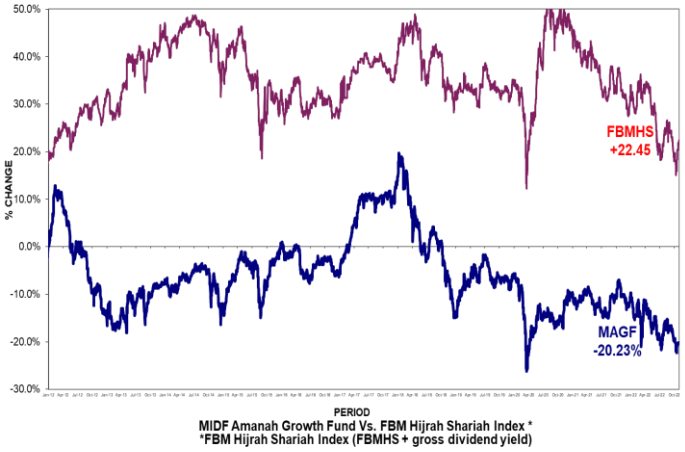
COMPANY	%
TIME DOTCOM BHD	8.87%
TELEKOM MALAYSIA BHD	8.85%
MEGA FIRST CORPORATION BHD	8.69%
PETRONAS CHEMICALS GROUP BHD	7.40%
KPJ HEALTHCARE BHD	6.46%

ASSET ALLOCATION (as at 31 October 2022)



*as percentage of NAV. Please note that asset exposures for the funds are subject to frequent change on a daily basis.

FUND PERFORMANCE (as at 31 October 2022)



CALENDAR YEAR RETURN % (as at 31 October 2022)

	3M	6M	1YR	3YRS	5YRS
FUND	**-5.68**	**-8.07**	**-11.55**	**-15.14**	**-28.63**
FBMHS*	**-3.88**	**-12.03**	**-11.71**	**-15.15**	**-20.78**

*****FBM Hijrah Shariah Index (FBMHS +gross dividend yield)

Note: Upon conversion to Shariah fund, benchmark has been changed to FBMHS from June 01, 2018 onwards

Source: Lipper Fund Table (The Edge,14 November 2022)

(1) Based on the fund's portfolio returns as at 10 October 2022, the volatility Factor (VF) for this fund is 11.02 and is classified as "low" (source:Lipper).
(2) Volatility Factor (VF) is subjected to monthly changes and Volatility Class (VC) will be revised every six months.
(3) The portfolio composition may change overtime, therefore there is no guarantee that the VF and VC to remain constant.