Monthly Fund Fact Sheet as at 31 December 2022

MIDF AMANAH DYNAMIC FUND — JANUARY 2023

3-year Fund Volatility 17.04 high Lipper Analytics 10 December 2022

FUND OBJECTIVE

The objective of the fund is to achieve long-term capital growth through investments in a portfolio of Shariah-compliant equities with superior growth prospects.

THE FUND IS SUITABLE FOR INVESTORS WHO:

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

FUND DETAILS (as at 31 December 2022)

Fund Size	RM 1.714 million
Unit NAV	RM 0.7412
Fund Inception	5 May 1976
Financial Year End	15th day of March
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

Stock markets were down in December but rounded off a tumultuous year with gains in Q4. Wrapping up the year 2022, major equity indices ended broadly lower with Dow Jones declining by 8.78%, S&P (-19.44%) and NASDAQ (33.10%). Meanwhile, most regional markets saw negative returns with South Korea's KOSPI suffering the most at -20.64%, followed by Hong Kong's Hang Seng Index (-17.06%) and China's Shanghai Composite Index (-12.53%).

Our local benchmark, the FBM KLCI, registered a significant gain in Q4 by 7.23%, buoyed by the positive investors' sentiment on the expectation of peaking inflation and slowing interest rate hikes by central banks worldwide. In December, the benchmark also notched a gain of 0.45%. Other benchmarks in Bursa Malaysia also finished the Q4 on a high note, with FBM Ace leading the way with a gain of 13.96% during the quarter, followed by FTSE 4Good Bursa Malaysia Shariah Index with 10.54% and FBM Hijrah Shariah with 9.77% gain. All benchmarks also ended the last month of the year in positive territory except for FBM Small Cap, which registered a slight loss of 0.07%. Over the year, the performance of the key benchmark, FBMKLCI was rather flat with a negative return of 1.64%. Amongst regional peers, Singapore's Strait Times Index was the top performer with a 3.52% gain. This was followed by Indonesia's Jakarta Composite Index and Thailand's SET Index with 1.07% and 0.3% gains respectively.

In terms of sectoral performance, Bursa Malaysia Healthcare was the best-performing sector in Q4, supported by interest in glove names during the early quarter and hospital names in the latter part. The sector registered a gain of 17.6% during the quarter but ended the year with a negative return of 25.5%. Utilities also performed remarkably during the Q4, with the sector notched a return of 15.2%. The sector recorded a small gain of 0.6% for the one-year performance after heavy losses in June and September. Bursa Malaysia REIT also did not perform well, with a small gain of 0.8%, as investors shy away from the sector. Overall, the year saw Energy topping the gaining list with a solid gain of 10.27%, followed by Plantation and Financial of 8.13% and 6.01% respectively. Technology posted the biggest loss of 34.29% as the sector was the most sensitive to rate hike, while Healthcare registered a loss of 25.45%.

Foreign investors continued to be net sellers throughout Q4, with a net sell of RM2.3%, after selling equity worth RM1.4 billion in December. This has resulted in a cumulative foreign net inflow of RM4.4 billion in 2022 and in turn has narrowed the cumulative net foreign outflow since 2010 to RM30.5 billion. On the other hand, local institutional investors continued to be the net buyers for four consecutive months, starting from September to December, with the latest purchase of RM1.7 billion in December. In 2022, we saw the return of institutional volume with local institutional investors reduced their net selling of Malaysian equities to RM6.5 billion against net sales of RM12.1 billion in 2021. Meanwhile, local retailers' net buy of Malaysian equities fell to only RM2.1 billion in 2022, a significant drop from their net buy of RM12.2bn in 2021.

Investment Outlook & Strategy

In general, inflationary pressures have been the key challenge for global financial markets in 2022. Supply chain disruptions forced commodity prices to multi-year highs in early 2022. Russia's invasion of Ukraine in February has further exacerbated the readily acute commodity shortages.

In pursuit to tame the alarming inflation, global central banks embarked on aggressive monetary tightening policies with the Fed instituted seven consecutive rake hikes of 425 bsp (4.25% - 4.5%) to cool down inflation. This has prompted Bank Negara Malaysia to raise the OPR by 100 bsp to 2.75%.

After hitting their peaks in the 1H2022, commodity prices started to ease on fears over a potential economic recession in 2023. Already, slower global demand is weighing on expectation of a slower global growth. The IMF projects global growth of 2.7% in 2023 from 3.2% in 2022, citing the impact of tightening monetary policy triggered by persistently high and broad-based inflation and ongoing supply disruptions and food insecurity as a result of Russia's invasion of Ukraine.

The market backdrop in 2023 may be substantially different from the last two years, progressing out of pandemic. Higher inflation and interest rate are expected to reverse or at least stabilize in 2023. Emerging Market (EM) equities may have an asymmetric return profile in 2023 and likely to gain a firmer footing, to be driven by several catalysts, including:

- Easing inflation below its peak
- Fed and other central banks may pause rate hikes with potential rate cut in late 2023
- The greenback will start losing steam, easing the pressure on emerging markets
- Recession risks in the United States and EU
- Shift in policies in China from zero-Covid toward growth
- Growing intra-ASEAN trade will partially cushioning the slump in exports to the US, EU and China
- Global endemic, with no more pandemic concerns by the end of 2023

Capital flows will likely return in the near term following a stable new government, clarity on the government policies in Malaysia and easing global risk aversion, but downside risks remain from further US Fed rate hikes and greater divergence in Bank Negara Malaysia and Fed policy rates (1H2023).

The outlook for FBM KLCI is expected to remain bumpy in 2023 and investors are expected to tread cautiously with nimble investing and adopt tactical strategy in light of the highly volatile market conditions. Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022 whilst the headline inflation has peaked at 4.7% in August 2022.

The FBMKLCI which is currently trades at -1.9 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 4.07% further improve the total returns for investors. From a multiple forward valuation of 13x (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:

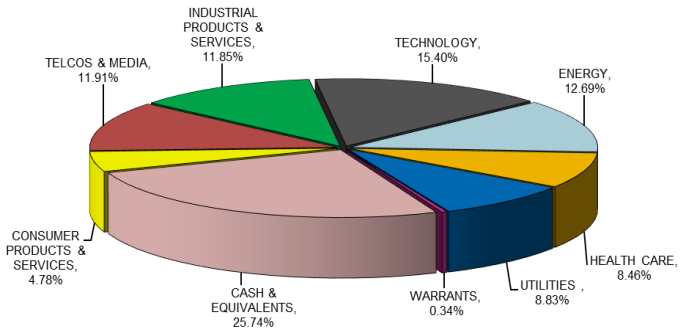
- Focus on **recovery/re-opening and structural growth themes**. For recovery themes, we focus on value and cyclical growth sectors such as Consumer Discretionary, Healthcare (Hospital/Pharmaceutical) Telecommunication, Energy, Industrials and Materials. We also expect to see pick up in laggard sectors such as Transportation and Aviation. 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 (recession fears), 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 2023, 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 December 2022, the volatility Factor (VF) for this fund is 17.04 and is classified as "high" (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 December 2022)

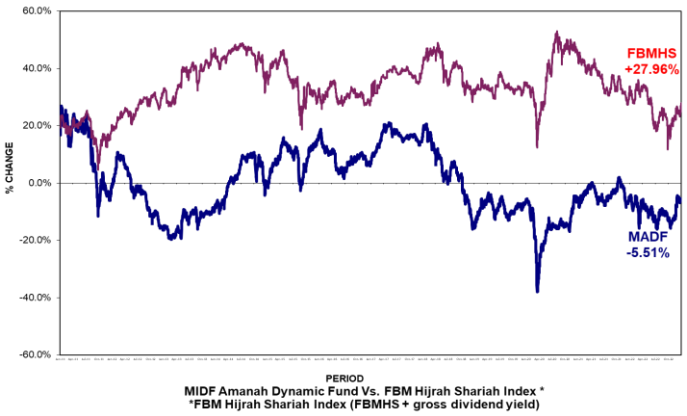
COMPANY	%
TELEKOM MALAYSIA BHD	7.56%
KPJ HEALTHCARE BHD	7.01%
MEGA FIRST CORPORATION BHD	6.88%
HIBISCUS PETROLEUM BHD	6.56%
GREATECH TECHNOLOGY BHD	5.82%

ASSET ALLOCATION (as at 31 December 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 December 2022)



CALENDAR YEAR RETURN (as at 31 December 2022)

	3M	6M	1YR	3YRS	5YRS
FUND	**8.55**	**8.50**	**-0.40**	**0.88**	**-18.59**
FBMHS*	**9.77**	**6.13**	**-5.26**	**-11.04**	**-18.03**

*****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, 9 January 2023)

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