3-year Fund Volatility
20.83
very high
Lipper Analytics
10 January 2023

Monthly Fund Fact Sheet as at 31 January 2023

MIDF AMANAH STRATEGIC FUND — FEBRUARY 2023

FUND OBJECTIVE

The objective of the fund is to achieve long-term capital growth through investments in smaller, high growth 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 take on a higher level of risk associated with investment in small-capitalized stocks.

FUND DETAILS (as at 31 January 2023)

Fund size	RM 14.884 million
Unit NAV	RM 1.0998
Fund Inception	1 June 1970
Financial Year End	15th day of January
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 started 2023 on a strong footing, with notable gains across global equities. China's re-opening theme spurred optimism after the China government dropped the zero-Covid policy in late December, coupled with some economic data showing that inflation has eased in several developed countries, which helped propel the markets advance. Moreover, the latest signs that inflation might have peaked, and central banks might be close to their rate-hike cycle have seen emerging markets outperform their developed counterparts.

In the US, the headline consumer price index (CPI) dropped to 6.5% from 7.1%, mainly due to energy and food cost moderation. In combination with a stronger-than-expected GDP print of 2.9%, the inflation data led investors to position for slower rate rises by the Federal Reserve from here. As a result, risk appetites picked up, with all three major indices recording positive readings, with Nasdaq leading the way, gaining almost 10.7% in January, followed by S&P with 6.2% gain and Dow Jones with 2.8% gain. Other major markets in Europe and Asia were also buoyant with the bullish sentiment and ended in positive territory.

Our local benchmarks, however, traded in a tight range as markets awaited the outcome by the BNM on its policy stance. At the end of the month, the main index was down by 0.7% and underperformed the other broad indices. Furthermore, Bursa Malaysia Hijrah also ended in the red and registered a negative return of 0.5%. On the other hand, FBM Small Cap was the best performer in January, registering a positive return of 8.3%, followed by FBM Ace at the close second with a gain of 7.6%. Other indices, such as FBM Top 100 and FBM Mid 70, were in the range of 0.6% to 5.2%.

Moving towards the sectoral performance, there were ten out of thirteen sectors which ended in the green, with Bursa Malaysia Energy and Bursa Malaysia transport were the two best performers in January with a return of 14.3% and 11.7%, respectively, doubling the third best performer, Bursa Malaysia Technology that registered a return of 6.4%. On the contrary, Bursa Malaysia Healthcare was the worst sector in January, recording a negative return of -3.7%, continuing from the weakness seen in 2022. Bursa Malaysia Plantation also did not fare well in the first month of January, registering a loss of -3.6%, along with Bursa Malaysia Finance which recorded a minimal loss of -0.5%.

Investment Outlook & Strategy

2023 is likely to be another challenging year as Malaysian corporate adjust to the new policy landscape, rising costs and slower global growth. Overall, we expect most of the pessimism on the global economy to be priced in by 1H2023 and the Emerging Market to perform better in 2H2023, 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. Nonetheless, the growth outlook remains subject to downside risks, including an escalation of geopolitical tensions, weaker-than-expected growth outturns in major economies, and a sharp tightening in financial market conditions.

We are cautiously optimistic over the medium to long term as Malaysian equities are expected to be supported by the reopening theme whilst easing inflation will bode well for fixed income assets. The growth momentum is expected to improve, supported by expansion in global demand and higher private-sector expenditure in line with the resumption of economic activity. Meanwhile, strong 8.7% Malaysia GDP growth for 2022 may restore confidence in national economy.

The FBMKLCI which is currently trades at -1.7 standard deviation (STD) below 5-year mean provides a good opportunity for value investors to enter Malaysian equities, while the solid dividend yield of 4.10% 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 over the course of year 2023, not only focusing on maximizing alpha but also managing portfolios downside risk:

- 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 which have showed great sign of improvements over the recent months. 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 in 2023, waiting for more visibility on corporate earnings growth.

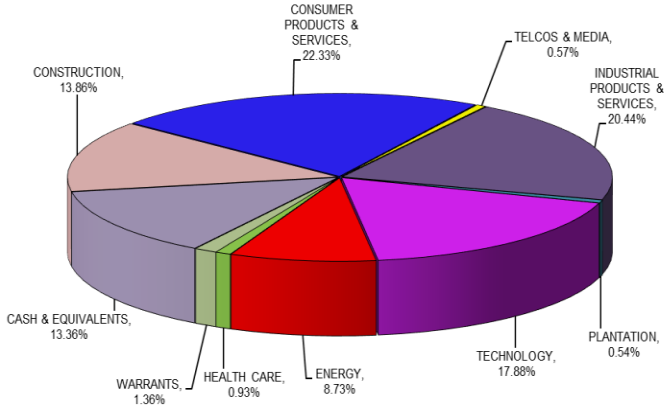
- We will continue to **remain committed towards our Sustainable Responsible Investment** ("SRI") as well as Environmental, Social, and Governance ("ESG") themes across our investment approach, reinforced by our product launches as well as investment solutions/value propositions.

(1) Based on the fund's portfolio returns as at 10 January 2023, the volatility Factor (VF) for this fund is 20.83 and is classified as "very 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 January 2023)

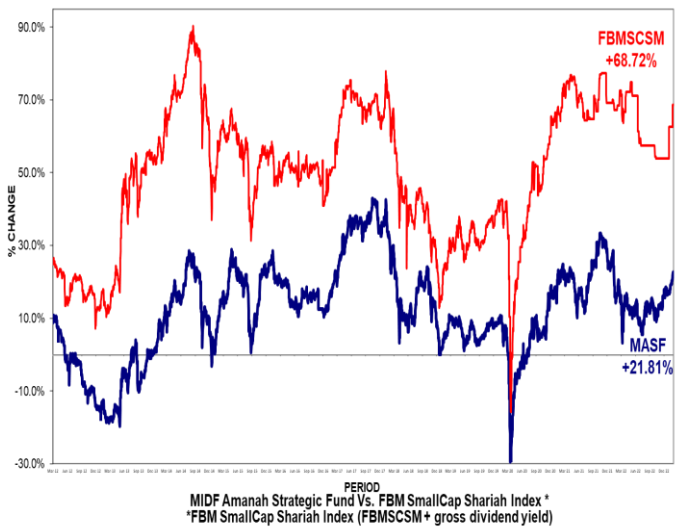
COMPANY	%
VITROX CORP. BHD	8.95%
BERJAYA FOOD BHD	7.15%
GAMUDA BHD	6.98%
BERMAZ AUTO BHD	6.21%
P.I.E INDUSTRIAL BHD	5.47%

ASSET ALLOCATION (as at 31 January 2023)



*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 January 2023)



CALENDAR YEAR RETURN % (as at 31 January 2023)

	3M	6M	1YR	3YRS	5YRS
FUND	9.22	9.86	5.85	19.86	-5.39
FBMSCSM	15.80	13.51	3.35	26.41	-2.01

*FBM SmallCap Shariah Index (FBMSCSM + gross dividend yield)

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

Source: Lipper Fund Table (The Edge, 13 February 2023)

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