

MIDF AMANAH SHARIAH EQUITY FUND

**Quarterly Report (Unaudited)
As At 31 October 2022**



MIDF Amanah Asset Management Berhad
Business Registration No.: 197201000162 (11804-D)
Level 3A, Menara MIDF,
82 Jalan Raja Chulan, 50200 Kuala Lumpur
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MIDF AMANAH ASSET MANAGEMENT BERHAD

Level 3A, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur

31 October 2022

Dear Unit Holder:

FUND INFORMATION

Fund Name	MIDF Amanah Shariah Equity Fund
Fund Category	Shariah-Compliant Equity Wholesale Fund
Fund Type	Growth
Investment Objective	The Fund aims to achieve long-term capital growth for investors through investments in a portfolio of Shariah-compliant equities.
Investment Strategy	The Fund aims to invest at least 70% of its Net Asset Value ("NAV") in Shariah-compliant equities listed in Bursa Malaysia that offer long-term growth potential. The remainder of the Fund's NAV not invested in Shariah-compliant equities will be invested in Islamic Deposits and/or Islamic money market instruments up to a limit of 30% of the Fund's NAV.
Performance Benchmark	FTSE Bursa Malaysia Hijrah Index <i>Note: The risk profile of the Fund differs from the risk profile of the benchmark.</i>
Distribution Policy	Annually, depending on the level of income (if any) the Fund generates and at the discretion* of the Manager after deducting all fees, zakat and expenses including management fee and trustee fee. <i>*The Manager has the discretion with due consideration for the best interest of the Fund, to decide on the amount to be distributed to the Unit Holders. If the distribution available is too small or insignificant, the Manager may choose not to distribute the income as the distribution may not be beneficial to the Unit Holders as the total cost to be incurred in such distribution may be higher than the amount available for distribution.</i>

CURRENT PROFILE OF UNITHOLDINGS BY SIZE

Size of Holdings	No. Of Accounts	No. Of Units Held
5,000 and below	0	0
5,001 to 10,000	0	0
10,001 to 50,000	1	49,870
50,001 to 500,000	0	0
500,001 and above	2	11,975,556
TOTAL	3	12,025,426

PERFORMANCE OF THE FUND

MIDF Amanah Shariah Equity Fund ("MIDFA-SEF")	As At 31 October 2022	As At 31 July 2022	%
NAV (RM)	9,049,878	9,344,355	-3.15
NAV per Unit (RM)	0.7526	0.7770	-3.15
FTSE Bursa Malaysia Hijrah Index ("FBMHS")	11,334.77	11,506.26	-1.49

FUND PERFORMANCE REVIEW

For the Quarter ended 31 October 2022, the NAV per unit of MIDFA-SEF declined by 3.15% while the FTSE Bursa Malaysia Hijrah Shariah ("FBMHS") Index decreased by 1.49%.

The key objective of the MIDFA-SEF is to achieve long-term capital growth through investments in Shariah-compliant equities. For the quarter under review, the fund has underperformed its benchmark by 1.66% and did not meet its objective in achieving capital growth.

The underperformance during the period was largely due portfolio's underweight exposure in glove stocks which posted a strong rally in the month of October 2022. Nonetheless, we believe that the rally of glove stocks was not sustainable due to weak fundamentals on the back of overcapacity issues and significant decline in average selling prices with many listed glove companies reported corporate losses over the last few quarters.

The FBMHS Index has been identified as the benchmark for MIDFA-SEF as it is the closest comparable index.

PERFORMANCE DATA

		As At 31 October 2022	As At 31 July 2022
NAV	[RM]	9,049,878	9,344,355
Units in Circulation	[Units]	12,025,426	12,025,426
NAV per Unit	[RM]	0.7526	0.7770
Highest NAV*	[RM]	0.7885	0.8722
Lowest NAV*	[RM]	0.7328	0.7258
Total return:			
- Capital Growth	[%]	-3.14	-4.37
- Income Distribution		NIL	NIL

QUARTERLY TOTAL RETURN OF THE FUND

As At 31 October 2022 (Quarter Ended From 01.08.2022 To 31.10.2022)	★ The Fund (%)	# FBMHS (%)
3 Months	-3.14	-1.49

★ Source: Internal Data

Source: Bloomberg

MARKET REVIEW

Global equity markets suffered a shock in August 2022 after central banks around the world were committed to bringing inflation under control by further raising interest rates, despite the inherent risks to the growth outlook. The commitment was echoed by Federal Reserve Chair Jerome Powell in his Jackson Hole speech that the central bank won't back off in its fight against rapid inflation. All in all, the uncertainty level about the global economic outlook remained elevated, reflected by the poor performance of developed countries' stock markets that were largely in the red.

The equity markets weaknesses continued in September 2022, in line with the message by Jerome Powell earlier at Jackson Hole, as United States Federal Reserve ("US") ("Fed") raised interest rates by 0.75% and higher than expected inflation data. The weakness in the US markets was exacerbated by the European Central Bank's decision to raise interest rates by 75 bps in September 2022, following a rise of 50 bps in July, and the UK's currency crisis after announcing a plan to cut taxes for top earners.

In October, most equity markets recovered some ground, after several months 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 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 'flash' composite purchasing managers' Index (PMI) falling from 49.5 to 47.3 in October 2022. Only China's based stock markets 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, also registered a positive return of 4.7% in October 2022, 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 2022, with 0.53%, 3.75%, 4.48%, and 4.03%, respectively. On a quarterly basis ended 31 October 2022, only FBM Small Cap registered a positive return of 0.12%, while other benchmarks registered negative returns ranging from -1.05% to -3.85%.

INVESTMENT OUTLOOK AND 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, posing 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 increase the cost of doing businesses for corporates 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 FBM KLCI 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.

KEY MARKET RISKS

- Heightened geopolitical risks such as the looming Ukraine-Russia conflict may derail global recovery and negatively affect investors' sentiment.
- Faster than expected interest rate tightening by the US Fed and other central banks worldwide as well as uncertainties surrounding the pace of re-setting the monetary stance may increase market volatility.
- Spike in Covid-19 cases around major world economies may hamper global economic growth, such as the ongoing lockdown in China.
- Uncertainties over the domestic political scene as the 15th general election draws near.

CHANGES IN INVESTMENT TEAM

There is no change in the Investment team.

**SHARIAH ADVISER'S REPORT
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2022**

**To the unit holders of
MIDF AMANAH SHARIAH EQUITY FUND ("the Fund")**

We hereby confirm the following:

- 1 To the best of our knowledge, after having made all reasonable enquiries, **MIDF AMANAH ASSET MANAGEMENT BERHAD** has operated and managed the Fund during the period covered by these financial statements in accordance with Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and
- 2 The asset of the Fund comprise only Shariah-compliant securities and Islamic money market instruments classified as Shariah-compliant by either the Shariah Advisory Council of the Securities Commission or that of Bank Negara Malaysia.

The Shariah Committee of MIDF Amanah Investment Bank Berhad as Shariah Adviser for **MIDF Amanah Shariah Equity Fund** consists of the following members:

DR. MOHAMAD SABRI ZAKARIA

ASSOC. PROF. DR. SITI SALWANI RAZALI

DR. MUHAMMAD NAJIB ABDULLAH

ENCIK AHMAD LUTFI ABDULL MUTALIP @ TALIB

Signed on behalf of the members,

DR. MOHAMAD SABRI ZAKARIA
Chairman, Shariah Committee
MIDF Amanah Investment Bank Berhad

Date: 21/11/2022

MIDF AMANAH SHARIAH EQUITY FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2022**

	Cumulative Quarters 3 Months Ended	
	31.10.2022	31.10.2021
	RM	RM
INVESTMENT INCOME		
Dividend income	83,499	52,926
Profit income from Islamic deposits with financial institutions	11,100	7,717
Net (loss)/gain from financial assets at fair value through profit or loss ("FVTPL")	<u>(315,465)</u>	<u>541,903</u>
	<u>(220,866)</u>	<u>602,546</u>
EXPENSES		
Manager's fee	(34,843)	(38,599)
Trustee's fee	(1,161)	(1,287)
Auditors' remuneration	(1,765)	(1,639)
Brokerage fees	(20,244)	(10,692)
Tax agent's fee	(555)	(555)
Administrative expenses	<u>(15,043)</u>	<u>(5,978)</u>
	<u>(73,611)</u>	<u>(58,750)</u>
Net (loss)/income before tax	(294,477)	543,796
Income tax expense	-	-
Net (loss)/income after tax representing total comprehensive (loss)/income for the financial period	<u>(294,477)</u>	<u>543,796</u>
Net (loss)/income after tax is made up of the following:		
Net realised (loss)/gain	(1,134,214)	6,225
Net unrealised gain	839,737	537,571
	<u>(294,477)</u>	<u>543,796</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MIDF AMANAH SHARIAH EQUITY FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2022**

	Note	31.10.2022 RM	31.07.2022 RM
ASSETS			
Financial assets at FVTPL		6,746,541	7,212,652
Islamic deposits with financial institutions		2,206,317	2,140,142
Amount due from brokers		144,412	-
Other receivables		1,437	2,376
Cash at bank		21,260	13,747
TOTAL ASSETS		9,119,967	9,368,917
LIABILITIES			
Due to Manager		11,474	11,452
Due to Trustee		410	410
Due to Auditor		9,565	7,800
Amount due to brokers		43,185	-
Other payable		5,455	4,900
TOTAL LIABILITIES		70,089	24,562
Unit holders' capital	1 (a)	12,124,600	12,124,600
Accumulated losses	1 (b) & (c)	(3,074,722)	(2,780,245)
TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS	1	9,049,878	9,344,355
TOTAL LIABILITIES AND EQUITY		9,119,967	9,368,917
UNITS IN CIRCULATION	1 (a)	12,025,426	12,025,426
NAV PER UNIT (RM)		0.7526	0.7770

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MIDF AMANAH SHARIAH EQUITY FUND

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2022**

	Unit holders' capital Note 1 (a) RM	Accummulated losses Note 1 (b) & (c) RM	Total equity RM
As at 1 August 2021	12,204,172	(2,354,021)	9,850,151
Total comprehensive income for the financial period	-	543,796	543,796
As at 31 October 2021	<u>12,204,172</u>	<u>(1,810,225)</u>	<u>10,393,947</u>
As at 1 August 2022	12,124,600	(2,780,245)	9,344,355
Total comprehensive loss for the financial period	-	(294,477)	(294,477)
As at 31 October 2022	<u>12,124,600</u>	<u>(3,074,722)</u>	<u>9,049,878</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MIDF AMANAH SHARIAH EQUITY FUND**UNAUDITED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2022**

	Cumulative Quarters 3 Months Ended	
	31.10.2022	31.10.2021
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	3,961,995	2,293,398
Purchase of investments	(3,947,448)	(2,142,424)
Dividend received	84,354	64,051
Income from Islamic deposits received	11,184	7,508
Manager's fee paid	(34,821)	(37,968)
Trustee's fee paid	(1,161)	(1,266)
Payment for other fees and expenses	(415)	(360)
Net cash generated from operating and investing activities	<u>73,688</u>	<u>182,939</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash payment for units cancelled, representing net cash used in financing activity	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,688	182,939
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>2,153,889</u>	<u>1,821,015</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>2,227,577</u>	<u>2,003,954</u>
Cash and cash equivalents comprise:		
Cash at bank	21,260	4,954
Islamic deposits with financial institutions	2,206,317	1,999,000
	<u>2,227,577</u>	<u>2,003,954</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MIDF AMANAH SHARIAH EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2022

1. TOTAL EQUITY

	Note	31.10.2022 RM	31.07.2022 RM
Unit holders' capital	(a)	12,124,600	12,124,600
Accumulated losses			
-Realised and distributable	(b)	(2,856,924)	(1,722,710)
-Unrealised reserve and non-distributable	(c)	(217,798)	(1,057,535)
Total equity		<u>9,049,878</u>	<u>9,344,355</u>

(a) Unit holder's capital

	31.10.2022		31.07.2022	
	No of units	Amount RM	No of units	Amount RM
As at the beginning of the financial period/year	12,025,426	12,124,600	12,123,785	12,204,172
Cancellation of units	-	-	(98,359)	(79,572)
As at the end of the financial period/year	<u>12,025,426</u>	<u>12,124,600</u>	<u>12,025,426</u>	<u>12,124,600</u>

(b) Realised and distributable

	31.10.2022 RM	31.07.2022 RM
As at beginning of the financial period/year	(1,722,710)	(1,947,395)
Net realised (loss)/income	(1,134,214)	224,685
As at the end of the financial period/year	<u>(2,856,924)</u>	<u>(1,722,710)</u>

(c) Unrealised reserve and non-distributable

	31.10.2022 RM	31.07.2022 RM
As at beginning of the financial period/year	(1,057,535)	(406,626)
Net unrealised income/(loss) attributable to investments	839,737	(650,909)
As at the end of the financial period/year	<u>(217,798)</u>	<u>(1,057,535)</u>

CORPORATE INFORMATION

MANAGER	MIDF Amanah Asset Management Berhad Registration No: 197201000162 (11804-D)
REGISTERED OFFICE	Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur Tel: 03 – 2173 8888
BUSINESS OFFICE	Level 3A, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur Tel: 03 - 2173 8488 (Customer Service Line) Fax: 03 - 2173 8555 E-mail: _midfamanah@midf.com.my Website: www.midf.com.my/index.php/en/what-we-do-en/asset-management
TRUSTEE	AmanahRaya Trustees Berhad (766894-T) Tingkat 14, Wisma AmanahRaya, No. 2 Jalan Ampang, 50508 Kuala Lumpur
BOARD OF DIRECTORS	Hasnah Omar – Chairman Datuk Joseph Dominic Silva Tai Keat Chai Hasman Yusri Yusoff Norziana Mohd Inon (appointed effective 27 May 2022) Shan Kamahl Mohammad (appointed effective 10 October 2022) Ahlan Nasri Mohd Nasir (resigned effective 2 March 2022) Dato' Charon Wardini Mokhzani (resigned effective 17 May 2022) Mohamed Sany Mohamed Zainudin (resigned effective 7 July 2022)
OVERSIGHT COMMITTEE MEMBERS	Hasman Yusri Yusoff - Chairman Tai Keat Chai Sheikh Shahrudin Sheikh Salim (appointed effective 1 March 2022) Ahlan Nasri Mohd Nasir (resigned effective 1 January 2022)
BOARD AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS	Tai Keat Chai – Chairman Hasnah Omar Hasman Yusri Yusoff
COMPANY SECRETARY	Hadidah Amin (LS 05402) Lailatul Mardhiyah Said Abdullah [LS0010110]
AUDITOR	Ernst & Young PLT Level 23A, Menara Milenium, Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
TAX ADVISER	Ernst & Young Tax Consultants Sdn Bhd Level 23A, Menara Milenium, Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
SHARIAH ADVISER	MIDF Amanah Investment Bank Berhad (23878-X) (Shariah Committee) Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur
PRINCIPAL BANKERS	Malayan Banking Berhad (3813-K) Menara Maybank, Jalan Tun Perak, 50050 Kuala Lumpur OCBC Bank (Malaysia) Berhad (295400-W) 18th Floor, Menara OCBC 18 Jalan Tun Perak 50050 Kuala Lumpur