

MIDF AMANAH SHARIAH EQUITY FUND

**Quarterly Report (Unaudited)
As At 31 January 2023**



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 January 2023

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 January 2023	As At 31 October 2022	%
NAV (RM)	10,381,570	9,049,878	14.72
NAV per Unit (RM)	0.8633	0.7526	14.71
FTSE Bursa Malaysia Hijrah Index ("FBMHS")	11,849.61	11,334.77	4.54

FUND PERFORMANCE REVIEW

For the Quarter ended 31 January 2023, the NAV per unit of MIDFA-SEF has gained by 14.71% while the FTSE Bursa Malaysia Hijrah Shariah ("FBMHS") Index recorded a return of 4.54%.

The key objective of the MIDFA-SEF is to achieve long-term capital growth through investments in Shariah-compliant equities. For the period under review, the fund has outperformed its benchmark by +10.17% despite the challenging market environment, and met its objective in achieving capital growth.

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

The outperformance was largely attributed to the Fund's exposure in selective defensive and cyclical sectors such as Energy, Consumer, and Technology which provide portfolio alpha and resilience, particularly during this highly volatile market environments.

PERFORMANCE DATA

		As At 31 January 2023	As At 31 October 2022
NAV	[RM]	10,381,570	9,049,878
Units in Circulation	[Units]	12,025,426	12,025,426
NAV per Unit	[RM]	0.8633	0.7526
Highest NAV*	[RM]	0.8633	0.7885
Lowest NAV*	[RM]	0.7491	0.7328
Total return:			
- Capital Growth	[%]	14.71	-3.14
- Income Distribution		NIL	NIL

QUARTERLY TOTAL RETURN OF THE FUND

As At 31 January 2023 (Quarter Ended From 01.11.2022 To 31.01.2023)	★ The Fund (%)	# FBMHS (%)
3 Months	14.71	4.54

★ Source: Internal Data

Source: Bloomberg

MARKET REVIEW

Equity markets were in the green in November 2022, with emerging markets equities outperforming developed markets counterparts after the release of economic data which fueled hope that United States (“US”) inflation may have already peaked, paving the way for the pace of interest rate hikes to slow. Further support for shares also came from signs of China loosening its strict Covid-19 rules.

At the beginning of November 2022, ongoing concerns over inflation and further central bank tightening were the main key risks to markets, with several central banks had another round of steep policy rate hikes, such as the Federal Reserve (“Fed”) and the Bank of England (BoE) raised policy rates by 75 basis points to 4.0% and 3.0% respectively. However, investors sentiment improved significantly after the release of US inflation numbers for October 2022, which was below consensus expectations (7.7% versus 8%, peaked at 9.1% in June), fueling the hopes that US inflation has now peaked and could prove less sticky than initially feared. As a result, major stock indices in the US, the Dow Jones, S&P 500, and Nasdaq, gained 5.67%, 5.38%, and 4.37%, respectively.

Our local markets also were bullish in November 2022, with FBM KLCI registering a gain of 1.95% driven by the overall positive sentiment after the hope of slower interest rate hikes and the resolution of Malaysia’s hung parliament scenario. Other key indices were also in the green, with FBM Ace leading the way with a 7.25% return, followed by FBM Mid 70 IX and FBM Small Cap with 4.76% and 4.46%, respectively.

December 2022 saw a loss of market momentum as investors cautiously assessing on the potential of a global recession in 2023 on the back of continued inflationary concerns. As a result, Dow Jones Industrial Average (DJIA), S&P 500, and Nasdaq Composite returned -4.17%, -5.90%, and -8.73%, respectively. European stock markets performed better than the US in December 2022, while Asian markets showed a mixed picture; with positive performance could be seen on China’s related indices, such as Hang Seng and Shanghai CSI 300, while the others underperformed.

FBM KLCI fell at the start of December 2022 due to concerns over further rate hikes and slowing global growth but recovered during the later part of the month and ended with a +0.4% gain at the end of December 2022 due to window dressing activities. Market sentiment also improved after PM Anwar Ibrahim won a motion of confidence in Parliament, pointing to a less political risk moving forward. Most local indices were positive in December 2022, with FBM Fledging and FBM Hijrah Shariah leading the way with a gain of +3.5% and +2.1%, respectively. On the other hand, FBM Small Cap registered a negative return, albeit at a tiny percentage of 0.1%.

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 2022. Moreover, the latest signs that inflation might have peaked, and central banks might be close to their rate-hike cycle have seen emerging markets outperforming 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. Combining with a stronger-than-expected GDP print of 2.9%, the inflation data led investors to position for slower rate rises by the Fed from here. As a result, risk appetites picked up with Nasdaq leading the way, gaining almost 10.7% in January 2023, 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 a bullish sentiment and ended in positive territory.

Our local benchmarks, however, traded in a tight range as markets awaited the outcome by the Bank Negara Malaysia on its policy stance. At the end of the month, the main index was down by 0.7% and underperformed the other broad indices. 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 2023, registering a positive return of 8.3%, followed by FBM Ace at the close second with a gain of 7.6%.

INVESTMENT OUTLOOK AND STRATEGY

2023 is likely to be another challenging year as Malaysian corporates 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 markets are likely to perform better in 2H2023, to be driven by the following catalysts:-

- 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 US 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, we are cognizant that 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.

Overall, 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. Meanwhile, strong 8.7% Malaysia GDP growth for 2022 may restore confidence in national economy.

The FBM KLCI 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 diversified and 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.

KEY MARKET RISKS

- Heightened geopolitical risks such as the looming Ukraine-Russia conflict may derail global recovery and negatively affect investors’ sentiment.
- Deterioration of the US-China trade war may hamper risk-on sentiment.
- Continuation of interest rate tightening and hawkish stance 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.
- Slow than expected China reopening after prolonged Covid-19 lockdown may impede global economic growth.

CHANGES IN INVESTMENT TEAM

There is no change in the Investment team.

FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2023**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 assets of the Fund comprise of instruments that have been classified as Shariah-compliant.

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,

-APPROVED VIA EMAIL-

DR. MOHAMAD SABRI ZAKARIA

Chairman, Shariah Committee

MIDF Amanah Investment Bank Berhad

Date: 15/03/2023

MIDF AMANAH SHARIAH EQUITY FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2023**

	Individual Quarter 3 Months Ended		Cumulative Quarters 6 Months Ended	
	31 Jan 2023 RM	31 Jan 2022 RM	31 Jan 2023 RM	31 Jan 2022 RM
INVESTMENT INCOME				
Dividend income	38,633	44,514	122,132	97,440
Profit income from Islamic deposits with financial institutions	14,072	6,455	25,172	14,172
Net gain/(loss) from financial assets at fair value through profit or loss ("FVTPL")	1,354,574	(622,223)	1,033,738	(80,320)
	<u>1,407,279</u>	<u>(571,254)</u>	<u>1,181,042</u>	<u>31,292</u>
EXPENSES				
Manager's fee	(36,771)	(37,733)	(71,614)	(76,332)
Trustee's fee	(1,226)	(1,257)	(2,387)	(2,544)
Auditors' remuneration	(1,764)	(1,638)	(3,529)	(3,277)
Brokerage fees	(17,515)	(13,733)	(37,033)	(24,425)
Tax agent's fee	(752)	(555)	(1,307)	(1,110)
Administrative expenses	(13,438)	(10,260)	(27,957)	(16,238)
	<u>(71,466)</u>	<u>(65,176)</u>	<u>(143,827)</u>	<u>(123,926)</u>
Net income/(loss) before tax	1,335,813	(636,430)	1,037,215	(92,634)
Income tax expense	-	(578)	-	(578)
Net income/(loss) after tax representing total comprehensive income/(loss) for the financial period	<u>1,335,813</u>	<u>(637,008)</u>	<u>1,037,215</u>	<u>(93,212)</u>
Net income/(loss) after tax is made up of the following:				
Net realised gain/(loss)	278,880	329,424	(859,455)	335,649
Net unrealised gain/(loss)	1,056,933	(966,432)	1,896,670	(428,861)
	<u>1,335,813</u>	<u>(637,008)</u>	<u>1,037,215</u>	<u>(93,212)</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 JANUARY 2023**

	Note	31 Jan 2023 RM	31 July 2022 RM
ASSETS			
Financial assets at FVTPL		7,769,269	7,212,652
Islamic deposits with financial institutions		2,627,522	2,140,142
Other receivables		6,962	2,376
Cash at bank		8,663	13,747
TOTAL ASSETS		<u>10,412,416</u>	<u>9,368,917</u>
LIABILITIES			
Due to Manager		12,854	11,452
Due to Trustee		456	410
Due to Auditor		11,329	7,800
Other payable		6,207	4,900
TOTAL LIABILITIES		<u>30,846</u>	<u>24,562</u>
Unit holders' capital	1 (a)	12,124,600	12,124,600
Accumulated losses	1 (b) & (c)	<u>(1,743,030)</u>	<u>(2,780,245)</u>
TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS		<u>10,381,570</u>	<u>9,344,355</u>
TOTAL LIABILITIES AND EQUITY		<u>10,412,416</u>	<u>9,368,917</u>
UNITS IN CIRCULATION	1 (a)	<u>12,025,426</u>	<u>12,025,426</u>
NAV PER UNIT (RM)		<u>0.8633</u>	<u>0.7770</u>

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 SIX MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2023**

	Unit holders' capital Note 1 (a) RM	Accumulated 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 loss for the financial period	-	(93,212)	(93,212)
As at 31 January 2022	<u>12,204,172</u>	<u>(2,447,233)</u>	<u>9,756,939</u>
As at 1 August 2022	12,124,600	(2,780,245)	9,344,355
Total comprehensive income for the financial period	-	1,037,215	1,037,215
As at 31 January 2023	<u>12,204,172</u>	<u>(1,743,030)</u>	<u>10,381,570</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 SIX MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2023**

	Individual Quarter		Cumulative Quarters	
	31 Jan 2023	31 Jan 2022	31 Jan 2023	31 Jan 2022
			RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES				
Proceeds from sale of investments	3,887,377	2,351,488	7,849,372	4,644,886
Purchase of investments	(3,488,888)	(2,811,052)	(7,436,336)	(4,953,476)
Dividend received	33,080	41,496	117,434	105,547
Income from Islamic deposits received	14,099	6,585	25,283	14,093
Manager's fee paid	(35,391)	(38,441)	(70,212)	(76,409)
Trustee's fee paid	(1,180)	(1,280)	(2,341)	(2,546)
Audit fee paid	-	(6,500)	-	(6,500)
Tax agent's fee paid	-	(578)	-	(578)
Payment for other fees and expenses	(489)	(1,839)	(904)	(2,199)
Net cash generated from/(used in) operating and investing activities	408,608	(460,121)	482,296	(277,182)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	408,608	(460,121)	482,296	(277,182)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,227,577	2,003,954	2,153,889	1,821,015
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,636,185	1,543,833	2,636,185	1,543,833
Cash and cash equivalents comprise:				
Cash at bank	8,663	10,586	8,663	10,586
Islamic deposits with financial institutions	2,627,522	1,533,247	2,627,522	1,533,247
	2,636,185	1,543,833	2,636,185	1,543,833

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 SIX MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2023

1. TOTAL EQUITY

	Note	31 January 2023 RM	31 July 2022 RM
Unit holders' capital	(a)	12,124,600	12,124,600
Accumulated losses			
-Realised and distributable	(b)	(2,582,165)	(1,722,710)
-Unrealised reserve and non-distributable	(c)	839,135	(1,057,535)
Total equity		<u>10,381,570</u>	<u>9,344,355</u>

(a) Unit holder's capital

	31 January 2023		31 July 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 January 2023 RM	31 July 2022 RM
As at beginning of the financial period/year	(1,722,710)	(1,947,395)
Net realised (loss)/income	(859,455)	224,685
As at the end of the financial period/year	<u>(2,582,165)</u>	<u>(1,722,710)</u>

(c) Unrealised reserve and non-distributable

	31 January 2023 RM	31 July 2022 RM
As at beginning of the financial period/year	(1,057,535)	(406,626)
Net unrealised income/(loss) attributable to investments	1,896,670	(650,909)
As at the end of the financial period/year	<u>839,135</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)
BOARD AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS	Tai Keat Chai – Chairman Hasman Yusri Yusoff Norziana Mohd Inon (appointed effective 15 August 2022) Hasnah Omar (resigned effective 15 August 2022)
COMPANY SECRETARY	Hadidah Amin (LS 05402) Lailatul Mardhiyah Said Abdullah [LS0010110] Nor Azita Sarip (MAICSA 7048861)
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