Great Eastern Takaful Berhad

Universal Takaful Fund – Info Sheet and Market Commentary

As at 31 October 2024

Feature of Fund	
Inception Date	January 2019
Investment Objective	The fund aims to achieve medium to long-term capital appreciation by investing in a mixture of equities and fixed income securities with good fundamentals and growth potential. The fund only invests in Shariah-approved securities.
Investment Strategy & Approach	The fund invests in a mixture of equities and fixed income securities with good fundamentals and growth potential, and is actively managed with top-down approach and bottom-up approach. Top-down approach by adopting a disciplined macroeconomic framework to identify major turning points in global financial markets to determine long-term assets allocation decisions. Bottom-up approach in stock/sukuk selection process which relies on various factors including financial position, valuation, company or industry risks and prospects.
Asset Allocation	The fund invests a maximum of 95% in fixed income securities, and a maximum of 35% in Malaysian equities and foreign equities (up to 10%). The balance will be invested in liquid assets which include money market instruments and cash or cash equivalents.
Risk Profile	Medium
Fund Manager	Great Eastern Life Assurance (Malaysia) Berhad
Fund Size	RM 195.8 million
Valuation	Investment profit or loss will be calculated and distributed annually, after each financial year. Please refer to product certificate for the details of investment profit or loss.

Fund Performance and Benchmark

	2019*	2020	2021	2022	2023	2024	
						MTD	YTD
Performance	7.88%	3.97%	-0.24%	0.37%	6.90%	-0.35%	5.28%
Benchmark	2.20%	4.08%	-0.49%	-1.25%	1.89%	-0.22%	3.93%

Note:

- * Since inception
- The above are fund performance (net of tax) of underlying fund. **Past Performance of the fund is not an indication of its future performance.** This is strictly the performance of the fund, and not the returns earned on the actual contributions paid of the Universal Takaful product.
- Basis of Calculation of Past Performance :

  Time Weighted Rate of Return = $[(1+r_1) \times (1+r_2) \times (1+r_3)\ x \ldots (1+r_n) - 1]\ x\,(1-tax)$
  where r = rate of return
- The benchmark is a combination of following :

  25% FTSE Malaysia Emas Shariah Index (FBMS) + 75% 12mth Mudharabah Deposit - Hong Leong Bank
  Source: Bloomberg
- Investment profit or loss will be calculated and distributed annually, after each financial year.

Note:
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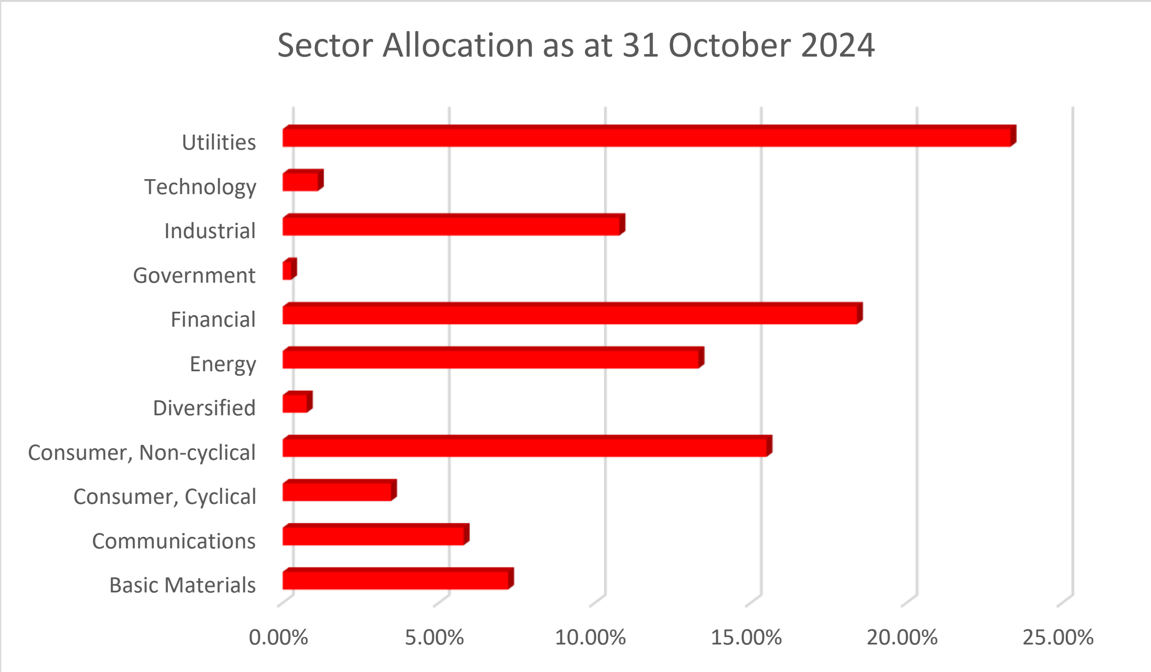
Top 5 Listings

Equities	%	Fixed Income	%
1. Gamuda Bhd	1.06	1. Pengurusan Air Selangor Sdn Bhd	7.97
2. Tenaga Nasional Bhd	0.87	2. Petroleum Sarawak Exploration & Production Sdn Bhd	7.23
3. IHH Healthcare Bhd	0.86	3. Pengurusan Air SPV Bhd	6.51
4. SD Guthrie Bhd	0.85	4. Tenaga Nasional Bhd	4.60
5. Press Metal Aluminium Holdings Bhd	0.75	5. Westports Malaysia Sdn Bhd	4.45

Sector Allocation



Risk and Risk Management

Risk	Investment in the fund may subject to the following non-exhaustive list of risks: • **Market Risk** – refers to the risk of loss due to changes in underlying market risk factors such as, amongst others, interest rates movement, natural disaster, political turmoil. The fund performance may be susceptible to fluctuations due to economic factors, as well as market sentiments, and may vary depending on the outcome of one or more market factors. • **Liquidity Risk** – refers to the risk of loss when the fund is unable to meet their obligations at the reasonable cost or at any time. It also refers to the risk that the equities or assets cannot be traded quickly enough to prevent a loss. • **Credit Risk** – refers to the risk of loss when the issuer of a security fails to make timely payments of interest or principal repayment on the maturity date.

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	• **Inflation Risk** – refers to the risk of loss when the fund may not generate income at a rate that keeps pace with inflation. • **Currency Risk** – Currency risk refers to the risk of adverse movement in the currency exchange rates that may result in the certificate holder receiving lower return. • **Interest Rate Risk** – Interest rate risk refers to the risk of loss on interest-bearing assets, such as government bonds and corporate bonds when the interest rate fluctuates. In general, when interest rate rises, the value of bond will fall. **Note:** *The risks disclosed should not be considered as an exhaustive list of the risks, which potential certificate holders should consider before investing in the fund. Potential certificate holders should be aware that an investment in the fund may be exposed to other risks of exceptional nature from time to time.*
Risk Management	Risk is managed through the following: 1. Active management in response to market and economic conditions and 2. Portfolio diversification by investing in numerous stocks across different industries.
Other Info	
Target Market	The fund is suitable for investors with a medium-risk appetite and a medium to long-term investment horizon.

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Market Commentary – Bond Market	
Market Review	Despite commencement of the U.S easing cycle, rates market saw sell-off in Oct24 as investors dialled back U.S. Fed rate cuts expectation amidst increasing likelihood of an economic soft landing scenario on the back of the recent better than expected U.S. economic data. While U.S. inflation print continues its downtrend, the upcoming U.S. election in early Nov24 dominated the headlines and overshadowed the geopolitical tension between Israel and Iran in Oct24. The potential re-election of former U.S President Trump spurred a sharp increase in U.S Treasury (UST) yields on the back of Trump's election pitches suggesting higher U.S. tariffs threat and more fiscal spendings, which triggered worsening of U.S. fiscal concerns, and a comeback of inflationary fears. Meanwhile, local market reaction to the Malaysian budget for 2025 was fairly muted. As widely expected, the Malaysian government maintains a gradual fiscal consolidation approach and targets to narrow the fiscal deficit from 4.3% in 2024 to 3.8% in 2025 on the back of subsidy reform. In tandem with global trend, Government Investment Issues ("GII") yields increased 2 to 23 bps m-o-m across the curve with short to mid-term tenures (up to 7 years) adjusted the most while the long-end remained fairly supported by domestic investors. Credit spreads tightened 2 to 14 bps m-o-m across the curve as corporate sukuks are usually slower to adjust to market trend on the back of thin market liquidity. The Ringgit weakened by 5.8% m-o-m to 4.3780 end-Oct24 (from 4.1235 end-Sep24) amidst a broad-based rebound in USD due to U.S election uncertainty. Despite giving back some of the gains from earlier months, the Ringgit remains one of the best performing currencies with a 4.9% gain over USD so far this year. Oil prices were volatile during the month driven by escalating conflicts in the Middle East, before ending the month relatively flat around USD73 per barrel. BNM's foreign reserves were reported at USD119.6 bil mid-Oct24 and has increased USD6.1 bil since end of last year on the back of the Ringgit outperformance. Following a marginal RM0.3 bil net inflow in Sep24, the foreign holdings of GII are likely to remain below the 9.5% level end-Oct24 (9.4% end-Sep24) amidst rising UST yields and heightened market volatility in the near term.
Market Outlook	The IMF maintained its latest global growth forecast for 2024 at 3.2%, same as projected in Jul24 as the U.S. economy continues to be the anchor of global growth. Meanwhile, the growth forecast for 2025 is revised slightly lower to 3.2% from the previous 3.3% and in five years from now, the global growth is expected to fade to 3.1% (vs. average of 3.8% from 2000-2019) with potential more trade tariffs and widening geopolitical tensions as key risks to global growth. While global monetary policy easing is expected to continue given that inflation has subsided, the easing cycle may be shallower than expected as inflation path (return to normal 2% in next 2 years) remains uncertain. On the domestic front, the GDP growth for 2024 is revised upward to 4.8%-5.3% from previous 4%-5% and the GDP for next year is forecasted to expand by 4.5%-5.5%. Meanwhile, the risk to inflation outlook in 2025 is tilted to upside due to subsidy reform, minimum wage hike and civil service salaries adjustment. Despite global easing cycle, BNM is expected to maintain the OPR at 3.00% given resilient domestic economy and potential inflation impact arising from subsidy rationalisation. Nonetheless, external factors will continue to be key driver to the domestic sukuk market.

Market Commentary – Equity Market	
Stock Market Review	The FBMS declined 1.5% MoM to end at 12,062. MSCI MY outperformed MSCI APxJ by 1.9% in October (vs. September's -5.8%). MYR weakened 5.8% MoM at 4.38, while 10Y MGS increased 21bps to 3.92%. Meanwhile, Brent crude oil rose 1.1% MoM to US$73/bbl. Foreign equities recorded -RM1.8bn net outflow in October 2024, compared to a net inflow of RM0.86bn in September 2024. Malaysia's bond market recorded 0.4% MoM net foreign inflow in September 2024. Foreign holdings of MGS decreased by RM0.7bn MoM to RM215bn, which is equivalent to 34.3% of total outstanding MGS. Gamuda has rallied 5.7% MoM on the back of its RM4.3bn mass rapid transit (MRT) project win in Taiwan.
Stock Market Outlook and Strategy	Global growth is holding up, but there is renewed weakness in manufacturing and trade while labor markets are becoming less buoyant. The global Manufacturing PMI dipped again, with a sharp decline in new orders, in part reflecting weak global capex dynamics. Regional divergences remain in place, with US data surprising to the upside while China and Europe lag behind. Inflation has fallen further, with progress on the services side, while goods deflation remains in place. Central banks continue to cut rates, and forward-looking lending surveys indicate that loan demand is starting to pick up. November is set to bring the year's most pivotal political event: the US election, featuring a tight race between Kamala Harris and Donald Trump. The outcome will carry significant implications for fiscal and monetary policy moving forward. A Trump win with a Republican congressional majority could mean tax cuts, potentially giving stocks a short-term lift. That said, Trump's stance on heightened fiscal spending and additional tariffs would likely be more inflationary in the long run compared to the moderate approach anticipated under Harris. This presents a formidable challenge to the Fed's policy setting as the pace of the decline in inflation remains slow. Following its 40% rally from the September lows to the early October highs, the MSCI China retreated 14% before stabilising. In order for the rally to gain steam again, a convincing fiscal package needs to be announced at the NPC Standing Committee meeting in early November. With bond yields surging globally and the USD strengthening, investor excitement for equities in ASEAN has waned, keeping stocks flat in October. Central banks continue to ease monetary policy in Thailand and the Philippines. After a rate cut in September, Bank Indonesia (BI) paused in October, partly due to FX stability concerns. We expect the easing cycle to continue, with Indonesia and the Philippines having the most room for further cuts, while Thailand and Malaysia will likely cut rates the least due to their lower real policy rates. Malaysia's 3Q24 growth momentum remained strong and its budget suggests continued consolidation, including a reduction in the current fuel subsidy. On the trade front, Malaysia and Singapore reported a slowdown in exports, particularly in electronics.