

BOSWM Dynamic Islamic Income Fund Class BOS MYR

Investment objective

The Fund aims to deliver total return.

Notes:

- Any material change to the investment objective of the Fund would require Unit Holders' approval.
- 'total return' refers to a combination of income (in the form of income distribution) and potential capital growth.

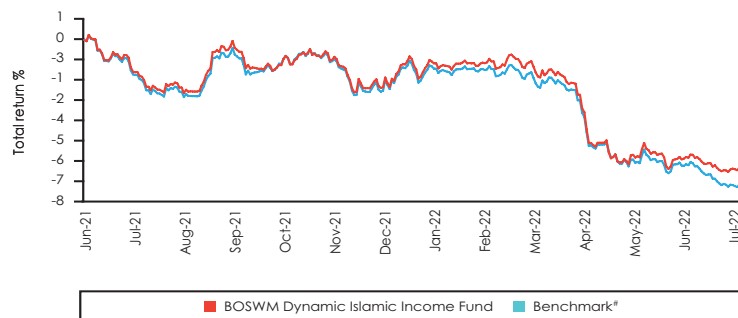
Performance

	1 Mth	6 Mths	1 Yr	Since Launch [▲]
Fund*	0.56%	0.86%	1.08%	1.31%
Benchmark#	0.05%	0.19%	0.32%	0.35%

* Source: Lipper for Investment Management, 31 July 2022. Fund sector: Money Market MYR

Benchmark: Maybank Islamic Overnight Deposit Rate, source: Maybank www.maybank2u.com.my, 31 July 2022

▲ Since start investing date: 10 June 2021



Fund details

Fund category/type	Islamic (wholesale fund) / Growth and income	
Launch date	1 June 2021	
Financial year end	30 June	
Fund size	28.97 million	
NAV per unit	RM1.0111 (as at 29 July 2022)	
Highest/Lowest NAV per unit (for current financial year)	Highest 29 Jul 2022 Lowest 9 May 2022	RM1.0111 RM0.9998
Income distribution	Once a year, if any.	
Specific risk	Interest rate risk, credit & default risk, early termination of placement in Islamic deposit(s) and investment accounts, and Shariah status reclassification risk	
Sales charge	Up to 2.00% of the NAV per unit of the Class	
Annual management fee	Up to 0.50% p.a. of the NAV of the Class	
Fund manager	Oh Jo Ann	
Sales office	BOS Wealth Management Malaysia Berhad 199501006861 (336059-U) customercare@boswm.com	

Asset allocation

Cash	66.76%	Fixed income	33.24%
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Country allocation

Malaysia	100.00%
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Fixed income - Top 2 bond holdings

PRASARANA MALAYSIA BERHAD 2.98% 27/08/2026	16.68%
LEMBAGA PEMBIAYAAN PERUMAHAN SEKTOR AWAM 3.34% 01/09/2028	16.56%

Income distribution^o

Year	2022 [^]
Gross distribution (sen)	0.20
Distribution yield (%)	0.20

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Month	Jun 2021	Dec 2021	Mar 2022	Jun 2022
Gross distribution (sen)	-	0.10	0.10	-
Distribution yield (%)	-	0.10	0.10	-

^o Distribution yield is calculated based on the most recent income distribution and divided by NAV per unit on the distribution date.

Fund Commentary

- 70% invested in commodity murabahah and 30% in sukuk.
- Sukuk allocation was higher at 33.25% from 28.15% due to net outflow of funds. Composition of the bond portfolio was unchanged as current allocation remains within its long-term strategized allocation. Despite the 25 basis points (bps) overnight policy rate (OPR) hike, bond yields moved lower with better buying interests following lower UST yields.
- Current allocation is within its strategized allocation. Pending fund flows, the Fund will look for switching opportunities.

Equity

The rally staged by risk assets towards the end of July reflected hopes by some investors that the end of the rate hiking cycle could be in sight. Persistent inflation and tighter financial conditions are starting to bite in developed markets, as evident in the latest US GDP numbers for 2Q 2022 that showed that the US economy entered a technical recession. Market movements: US (+4.6%), Hong Kong (-7.8%), Shanghai (-4.3%), Japan (+5.0%), Korea (+5.1%), Taiwan (1.2%), Eurozone (+4.4%), Singapore (+3.5%), Thailand (+0.5%), Indonesia (-0.2%), and Malaysia (+3.3%).

Towards the end of July, the US Federal Reserve (Fed) raised its Fed funds rate by 75 basis points (bps) for a second straight month, taking its target to 2.25-2.50%. This came at a time when the US economy unexpectedly contracted for a second quarter in a row in 2Q 2022, meeting the criteria for a 'technical' recession, though the economy is not yet experiencing a broad-based, sustained contraction in activity. The US earnings season is also well underway, with corporate results somewhat mixed though beating earnings per share (EPS) estimates on average. However, firms are undoubtedly facing macro headwinds, which is translating into concerns such as potential capital expenditure cuts and elongated sales cycles.

In Europe, early 2Q 2022 results point to a beat relative to expectations on sales but a miss on EPS, exemplifying the growing cost pressures and trickier margin backdrop corporates are facing. New disruptions to Russian energy supply are weighing heavily on sentiment after Russia's Gazprom said that gas flows to Germany through the key Nord Stream 1 pipeline would fall by half of the already-reduced flows from 27th July on claims that Western sanctions had caused difficulties in maintenance of the infrastructure. This threat of gas disruption is certainly fuelling inflation that is pressuring the European Central Bank to tighten policy more aggressively.

China's economy is starting a gradual, though bumpy and still fragile, recovery. Latest reading of the Caixin manufacturing purchasing managers' index (PMI) of 50.4 showed that China's manufacturing activity expanded for a second straight month in July 2022, though declining from 51.7. However, the official manufacturing PMI published by the National Bureau of Statistics fell to contractionary territory at 49.0 in July from 50.2 in June. A higher pace of recovery is seen in non-manufacturing activity, mainly services, which continued to expand in July 2022 with a PMI reading of 53.8, from 54.7 in June 2022. The July Politburo meeting concluded with a call for incremental easing and this should be indicative of an easing policy bias for China.

The FBMKLCI recorded a strong performance of 3.3% over the previous month, led by the Technology, Telecommunications and Financials sectors. Only the Energy and Transportation sectors recorded monthly declines on recessionary concerns. The month of July saw Bank Negara Malaysia (BNM) raising the Overnight Policy Rate (OPR) by 25bps which is the bank's second consecutive hike this year. Inflation continued to rear its head in the economy with the release of the June CPI data indicating a 0.6% increase over a month ago and 3.4% over a year ago. During the month, the first reading of the Tobacco Product and Smoking Control Bill 2022 was held, which included the much-anticipated generational endgame law for those born in 2007 and after. The Dewan Rakyat also passed the proposed anti-party-hopping law.

Moving further into the second half of 2022, slowing growth and recession risks are a top concern for investors. With inflation still uncomfortably high in most major economies, the aggressive stance by central banks risks a hard landing for the global economy, which would be detrimental to corporate earnings and ultimately weigh on risk asset prices. We maintain our Neutral stance on local equities as we look out for clearer visibility of next year's earnings. Presently, positive economic recovery, on the back of reopening of international borders and robust private consumption, may be curtailed by risks of stagflation, weaker Ringgit, dampening business and consumer sentiment and political uncertainty amid the upcoming election. We will also employ a tactical lookout for names with strong longer-term recovery prospects and attractive valuations, while trimming or exiting exposures that may be affected by the impending economy slowdown.

Fixed Income

It was a volatile month for Treasuries with the 10-year US Treasury benchmark initially spiked back up to 3.00% in early July before rallying towards the end of the month to settle at 2.65%. The Federal Reserve (Fed) raised its policy rate by 75 basis points (bps) for the second month in a row but left guidance intentionally vague regarding any planned moves when it meets next in September. The recent softness in economic readings provided ammunition for yields to move lower and has deepened the month-long inversion of the 2-year/10-year Treasury yield curve. Meanwhile, the advanced estimate of 2Q 2022 GDP validated the market's concern of a technical recession with the economy showing a second quarter-on-quarter (QoQ) contraction at -0.90%. Over the month, despite the sequential 75bps hike in the Fed funds rate, the 2-year yield widened by only 5bps to 2.88% while the 10-year yield declined 23bps to 2.65%.

Locally, government bonds saw strong buying support with yields edging lower by 24-38 bps across the curve, trending in line with the rally seen in US Treasuries alongside global rates. The yield curve mirrored bull flattening movements with outperformance in the 30-year segment with better buying interest for duration. Meanwhile Bank Negara Malaysia (BNM) delivered its second consecutive 25bps OPR hike to further adjust the "degree of monetary accommodation" amid better growth prospects for the Malaysian economy. Despite interest rate hikes, bond yields moved lower with better buying interests following lower UST yields as market were encouraged by the prospect of the Fed pausing its hiking cycle by December and BNM's gradual and measured approach to policy normalization. Buying interests spilled over to the auction markets which garnered strong BTC ratios of 2.4x-3.1x for the three auctions conducted during the month. In July, the 3-year yield was marginally higher by 3bps to 3.49% while the 10-year declined by 33bps to 3.89%.

Disclaimer

This publication has not been reviewed by the Securities Commission of Malaysia (SC). This leaflet provides general information and does not have regard to any specific investment objective, financial situation or particular personal need. The fund performance is calculated on an NAV-NAV basis including any capital gains and reinvested income distributions. Information memorandum dated 1 June 2021 and Product Highlights Sheet ("PHS") are obtainable at our office and you have the right to request for a copy. They have been lodged with the SC who takes no responsibility for their contents. The lodgement does not amount to nor indicate that the SC has recommended or endorsed the fund. Units will only be issued when we receive the official account application form, investment form and declaration form. You should study the information memorandum and PHS, and consider the fees and charges involved before investing. You should also note that distributions and net asset value per unit do go up and down. Past performance is not an indication of future performance. The specific risks of BOSWM Dynamic Islamic Income Fund are interest rate risk, credit & default risk, early termination of placement in Islamic deposit(s) and investment accounts, and Shariah status reclassification risk. Description of the specific risks can be obtained from the information memorandum dated 1 June 2021. Where a distribution is declared, you are advised that following the distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV.