Kenanga Investors

July 2022
Market Review and Outlook

Equity Market Review

US equities slid to close at one of the worst first-half sessions in 52 years with S&P 500 down by 20.6% YTD and 8.4% in June. The Dow Jones fell by 15.3% year-to-date (YTD), its worst first-half performance since 1962 while Nasdaq fell 29.5% YTD, a record worst first-half performance. The annual inflation rate in the US accelerated to 8.6% in May 2022, the highest since 1981 due to soaring energy costs from the prolonged Russia-Ukraine war which added more cost pressures along with labour shortages and supply disruptions. The US Federal Reserve (Fed) hiked interest rate by 75bps, the biggest increase since 1994 to a range of 1.5% to 1.75% in June 2022. The Federal Open Market Committee's members indicated a much stronger path of rate hikes ahead to tame inflationary pressures. Analysts are now expecting the Fed to hike interest rates to approximately 3.5% by end of this year. US retail sales for the month of May posted a surprise 0.3% MoM decline, below analysts' estimate of an increase of 0.1% MoM.

Europe STOXX 50 closed 7.7% lower in June and down 19.6% YTD on fears that soaring inflation and rising interest rates could hit growth and tip economies into a recession. Eurozone headline inflation rose 0.5 percentage points to 8.6% year-on-year (y-o-y) in June, setting a new record, driven by higher energy and food prices. The European Central Bank (ECB) left its key policy rates unchanged but provided rather hawkish guidance on the interest rate outlook and announced termination of asset purchase programmes in July, as expected.

Meanwhile in China, equities rallied on the back of fiscal support for consumption, Shanghai reopening, relaxation of mobility restrictions, as well as more signals on possible reduction of US tariffs over China goods. Chinese President Xi Jinping pledged that China would strengthen the macro-policy adjustment and adopt more effective measures to strive to meet social and economic development targets for 2022.

Majority of the Asian markets were down for the month except for Shanghai and Hong Kong. The MSCI Asia ex-Japan fell by 5.06% along with the MSCI ASEAN which fell by 8.79%. In local currency, outperformers were Shanghai (SHCOMP +6.67%), and Hong Kong (HSI +2.08%). Underperformers were Korea (KOSPI -13.15%), Taiwan (TWSE -11.79%), and Philippines (PSEI -9.14%).

Locally, the KLCI index fell by 8.02% in June to 1,444 points, its sharpest monthly decline since the start of the Covid-19 pandemic in March 2020. YTD, FBMKLCI, FBM100, FBM Small Cap and FBM Shariah index fell by 7.9%, 8.8%, 9.7%, and 14.3% respectively. The weak index was due to negative global market sentiment over concerns of inflation and monetary tightening which could tip the global economy into a recession. Analysts are expecting BNM to raise its Overnight Policy Rate by 50 bps in 2H2022. Nonetheless, inflation remains supressed by the government's decision to keep electricity and water tariff rates unchanged for the time being.

For the month of June, foreign investors were net sellers at RM1,282 million, a reversal from last month net buying position of RM77 million. This bring the cumulative foreign net inflow for 1H22 to RM6.1 billion (versus 5M22 net buy of RM7.4 billion). The top three best-performing sectors in May were REIT (-2.0%), Transport (-3.3%), and Consumer (-3.4%). The top three worst-performing sectors were Energy (-17%), Plantation (-13.4%), and Healthcare (-12.8%).

Onto commodities, oil marked its first monthly decline since November 2021 with the Brent declining by 6.5% to close the month at USD114.8/bbl. Organization of the Petroleum Exporting Countries Plus (OPEC+) completed the return of output it halted during the pandemic and signs emerged that the global economy was on weaker footing than

Kenanga Investors Berhad
Company No: 199501024358
Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2172 3000
Toll Free: 1800-88-3737
www.kenangainvestors.com.my

expected. Crude Palm Oil (CPO) prices also closed sharply lower at RM4,910/mt, tumbling 22.1% MoM on oversupply concerns as Indonesia eases export measures.

Equity Market Outlook

With US entering late cycle dynamics and decelerating growth, rising inflation and policy tightening would weigh on economic expansion. Key focus remains on the path of central bank monetary policy, easing of geopolitical tensions, China lockdowns, as well as corporate earnings.

Malaysia continues to benefit from economic reopening, with a post-lockdown cyclical rebound ongoing on the back of higher consumer spending. Meanwhile, China's policy stimulus to spur economic growth, maintaining stability of capital markets, could lend support to the regional economic recovery. However, Malaysia still remains geared to global growth and economic conditions given its high dependence on exports.

Equity Fund Strategy

Overall, for Malaysia we still maintain a defensive strategy, focusing on companies where fundamentals remain solid. Sector wise, we still prefer consumer discretionary, financials, and industrials. For structural growth themes such as tech, we are buyers on market weakness for its longer-term potential.

Kenanga Investors Berhad
Company No: 199501024358
Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2172 3000
Toll Free: 1800-88-3737
www.kenangainvestors.com.my

Kenanga Investors

Kenanga Syariah Growth Fund

July 2022

3-year Fund Volatility
16.4
High
Lipper Analytics
10 Jun 2022

FUND OBJECTIVE

Aims to provide unit holders with long-term capital growth by investing principally in equities that comply with Shariah requirements.

Fund Category/Type
Equity (Islamic) / Growth

Launch Date
29 January 2002

Trustee
CIMB Islamic Trustee Berhad

Benchmark
FTSE Bursa Malaysia Emas Shariah Index

Designated Fund Manager
Lee Sook Yee

Sales Charge
Max 5.50%

Annual Management Fee
1.50% p.a.

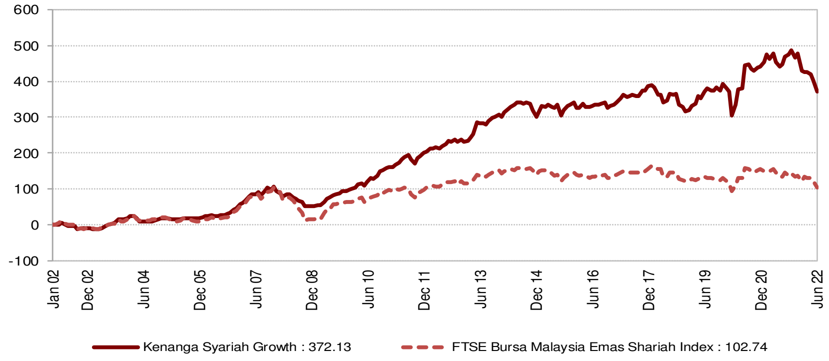
Annual Trustee Fee
0.05% p.a.

Redemption Charge
Nil

All fees and charges payable to the Manager and the Trustee are subject to the goods and services tax /sales and services tax/other taxes of similar nature as may be imposed by the government or other authorities from time to time.

FUND PERFORMANCE (%)

% Cumulative Return, Launch to 30/06/2022



Source: Novagni Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%)#

Period	Fund	Benchmark
1 month	-6.17	-8.74
6 months	-18.26	-14.34
1 year	-12.60	-13.75
3 years	0.16	-13.43
5 years	2.60	-18.08
Since Launch	372.13	102.74

CALENDAR YEAR FUND PERFORMANCE (%)#

Period	Fund	Benchmark
2021	6.75	-6.81
2020	10.10	10.14
2019	18.18	3.85
2018	-14.47	-13.52
2017	12.96	10.72

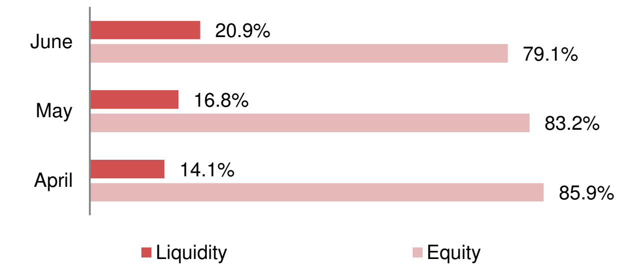
 # Source : Lipper, 30 June 2022

FUND SIZE *	NAV PER UNIT *
RM 514.65 million	RM 1.0090

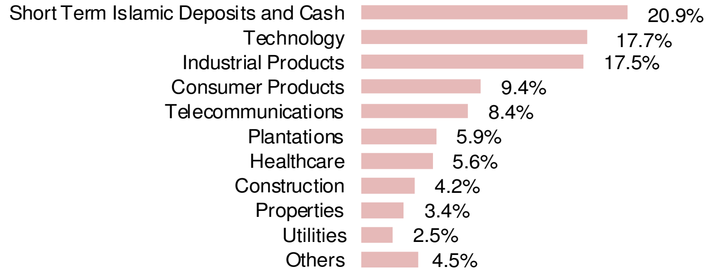
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 3.0262	4-May-12
Lowest	RM 0.8440	19-Mar-20

ASSET ALLOCATION (% NAV) *



SECTOR ALLOCATION (% NAV) *



TOP EQUITY HOLDINGS (% NAV) *

1	IHH HEALTHCARE BHD	4.67%
2	FRONTKEN CORPORATION BHD	4.34%
3	PETRONAS CHEMICALS GROUP BHD	3.88%
4	GREATECH TECHNOLOGY BHD	3.43%
5	TELEKOM MALAYSIA BHD	2.86%

** Source: Kenanga Investors Berhad, 30 June 2022*

DISTRIBUTION HISTORY *

	Gross Distribution		
Date	RM	Yield (%)	Unit Split
9-Apr-21	10.81 sen	8.00%	-
16-May-16	10.11 sen	9.31%	-
26-Feb-15	10.50 sen	5.98%	-