



MUAMALAT INVEST ISLAMIC EQUITY FUND
(The “Fund”)

INTERIM REPORT 2020

**Incorporating the Unaudited
Financial Statements**

For the six months financial period ended 31 December 2020

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CORPORATE INFORMATION

MANAGER

Muamalat Invest Sdn Bhd

REGISTERED OFFICE

30th Floor, Menara Bumiputra, No.21, Jalan Melaka, 50100 Kuala Lumpur

BUSINESS OFFICE AND OFFICE OF THE REGISTRAR

4th Floor, Menara Bumiputra, No.21, Jalan Melaka, 50100 Kuala Lumpur

Tel: 03 6 2615 8175 Fax: 03 6 2070 0157

Email: misb@muamalat.com.my

BOARD OF DIRECTORS

Khairul bin Kamarudin (Chairman w.e.f. 01 November 2019)

Datoø Adnan bin Alias

Fakihah binti Azahari

Mohd Faruk bin Abdul Karim (Executive Director w.e.f. 09 July 2020)

Norahmadi bin Sulong (Chief Executive Officer / Executive Director) (resigned w.e.f. 12 July 2020)

Mohamed Fadzil bin Sulaiman (resigned w.e.f. 19 September 2020)

SHARIAH ADVISER

Bank Muamalat Malaysia Berhad

COMPANY SECRETARY

Julaida Binti Jufri (LS 0009358)

TRUSTEE

Maybank Trustees Berhad (5004-P)

8th Floor, Menara Maybank

100 Jalan Tun Perak

50050 Kuala Lumpur

PRINCIPAL BANKER

Bank Muamalat Malaysia Berhad

AUDITOR & REPORTING ACCOUNTANT

PricewaterhouseCoopers PLT

10th Floor, 1 Sentral, Jalan Rakyat

KL Sentral, 50706 Kuala Lumpur

TAX ADVISER

PricewaterhouseCoopers Taxation Services Sdn Bhd

10th Floor, 1 Sentral, Jalan Rakyat

KL Sentral, 50706 Kuala Lumpur

FUND INFORMATION

Period of Trust	: Subject to provisions of the Deed
Fund Category	: Equity (Shariah Compliant)
Fund Type	: Equity (Shariah Compliant)
Relevant Benchmark	: FTSE Bursa Malaysia EMAS Shariah Index
Distribution Policy	: The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate ó subject to the availability of realised income.

INVESTMENT OBJECTIVE, STRATEGY AND POLICY

Investment Objective

The Fund seeks to achieve capital appreciation over medium to long term period.

Investment Strategy and Policy

The Fund targets an allocation of up to 95% of the Fund's Net Asset Value (NAV) in Shariah-compliant equities and Shariah-compliant equity-related instruments, and a maximum of 30% of the Fund's NAV invested in Islamic money market instruments, Sukuk and/or Islamic liquid assets. The selection of Shariah-compliant equity investments of the Fund will be in line with those in the list of Shariah-compliant securities issued by Shariah Advisory Council of the Securities Commission Malaysia and/or Bank Negara Malaysia.

The portfolio construction process is research driven ó combining bottom-up fundamental analysis with top down economic and sector analysis. In identifying investable listed companies, the Manager relies on fundamental research where track records, prospects, business operation and management of the companies are considered. In addition, prospects for the economies and sectors in which the companies operate are also assessed. Analysis is also made on revenue growth, profit margins, sustainability of earnings and/or dividend pay-out, balance sheet and cash flow. In view of its investment objective, the designated fund manager will trade the securities depending on the securities market conditions.

The selection of Sukuk and Islamic money market instruments will depend largely on its credit quality where the respective issuers of Sukuk and Islamic money market instruments are required to possess strong ability to meet their financial obligations and offer highest safety for timely payment of profit and principal.

MANAGER'S OVERVIEW

We are pleased to present to you the Interim Report of Muamalat Invest Islamic Equity Fund (the Fund) incorporating the Unaudited Financial Statements for the six months financial period ended 31 December 2020.

The Fund had been dormant since inception. On 8 December 2020, the Fund has commenced its investments. During the period from 8 December 2020 to 31 December 2020, the Fund generated a total return of -1.93%* compared to the benchmark return of -3.24%*. Hence, the Fund outperformed the benchmark by 1.31%. The outperformance was mainly attributed by sector and sector selection.

There is no distribution made by the Fund during the financial period under review.

* Source: Novagni Analytics and Advisory Sdn Bhd

MANAGER'S REPORT

Fund Performance Review

The Fund had been dormant since inception. On 8 December 2020, the Fund has commenced its investments. During the period from 8 December 2020 to 31 December 2020, the Fund generated a total return of -1.93%* compared to the benchmark return of -3.24%*. Hence, the Fund outperformed the benchmark by 1.31%. The outperformance was mainly attributed by sector and sector selection.

The total units in circulation as at 31 December 2020 are 5,103,040.82 and NAV attributable to unit holders is RM0.9611 per unit.

* Source: Novagni Analytics and Advisory Sdn Bhd

Asset Allocation

The Fund's holdings are shown below:-

Asset Class	31 December 2020	30 June 2020
Equities	15.06%	-
Liquid assets and other net current assets	84.94%	100.00%
Total	100.00%	100.00%

Strategies and Policies

This Fund aims to achieve capital appreciation over medium to long term period.

The Fund had been dormant since inception. On 8 December 2020, the Fund has commenced its investments. During the period from 8 December 2020 to 31 December 2020, the Fund generated a total return of -1.93%* compared to the benchmark return of -3.24%*. Hence, the Fund outperformed the benchmark by 1.31%. The outperformance was mainly attributed by sector and sector selection.

The strategy adopted by the Fund for the period under review is in line with the investment strategy of the Fund.

Market Review

The FBMKLCI Index ended CY2020 higher as it recovered from its low back in March 2020 as progresses of the COVID-19 vaccines provided optimism to global economic recovery. The benchmark ended at 1,627.21, a slight hike of 38.45 points (+2.42%) versus end-CY2019 of 1,588.76 points. However, this marked an impressive recovery from its lowest point recorded on 19 March 2020 at 1,219.72. The broader FBMHS Index however fared better, having gained 1,211.23 (+0.76%) points for the year to end at 13,159.15.

Market Outlook

The year 2020 was indeed an eventful year. The Covid-19 pandemic, the crude oil price war as well as political instability both domestic and abroad – leaving global markets in increased volatility throughout the year.

Governments of the world were left scrambling for solution as the pandemic ravages the economy. Lockdowns were imposed across the globe in the effort to curb the infections, devastating economic

activities. And there was an ill-advised crude oil price war as the pandemic worsen – which at one time saw prices traded in the negative territory. On the political front, Malaysia saw recurring power struggles among the politicians while in the US, Trump conceded to his defeat as Biden became the elected President.

Brent crude oil price ended the year 2020 lower on 31 December at USD51.8 per barrel versus USD66.0 per barrel a year earlier due to rising oversupply as global oil demand declined sharply amid the Covid-19 pandemic.

Malaysia registered a quarterly GDP growth of -3.4% in the fourth quarter of year 2020. The weak showing is largely attributed to the imposition of the Conditional Movement Control Order (CMCO) in select states since mid-October of the year, which proved to weigh heavily on economic activities. As a whole, year 2020 saw an economic contraction of 5.6%.

The continued improvement in external demand nevertheless provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand.

Headline inflation declined to -1.5% during the quarter, in part reflecting the larger decline in retail fuel prices as compared to the corresponding period last year. Core inflation on the other hand moderated to 0.8% mainly due to lower inflation for communication services and rental.

At its January 2021 meeting, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 1.75%. Global economies continued to recover in the midst of resurgences of COVID-19 cases, which had triggered containment measures in several major economies which negatively impact the economies – rendering the overall outlook remains subject to the downside risks.

The international reserves of Bank Negara Malaysia amounted to USD109.7 billion as at 15 February 2021 – a marginal increase of 1.01% from USD108.6 billion as at 29 January 2021. The reserves position is sufficient to finance 8.6 months of retained imports and is 1.2 times total short-term external debt.

(Source: MARC, Bank Negara Malaysia)

PORTFOLIO STRUCTURE

As at 31 December 2020, the Fund has invested circa 15.06% in equities and the balance in liquid assets and other net current assets.

The Fund's asset allocations are shown below:-

Sectors	As at 31.12.2020 %	As at 30 June 2020 %
Equities		
Healthcare	15.06	-
	15.06	-
Liquid assets and other net current assets	84.94	100.00
	100.00	100.00

PERFORMANCE OF FUND AND BENCHMARK

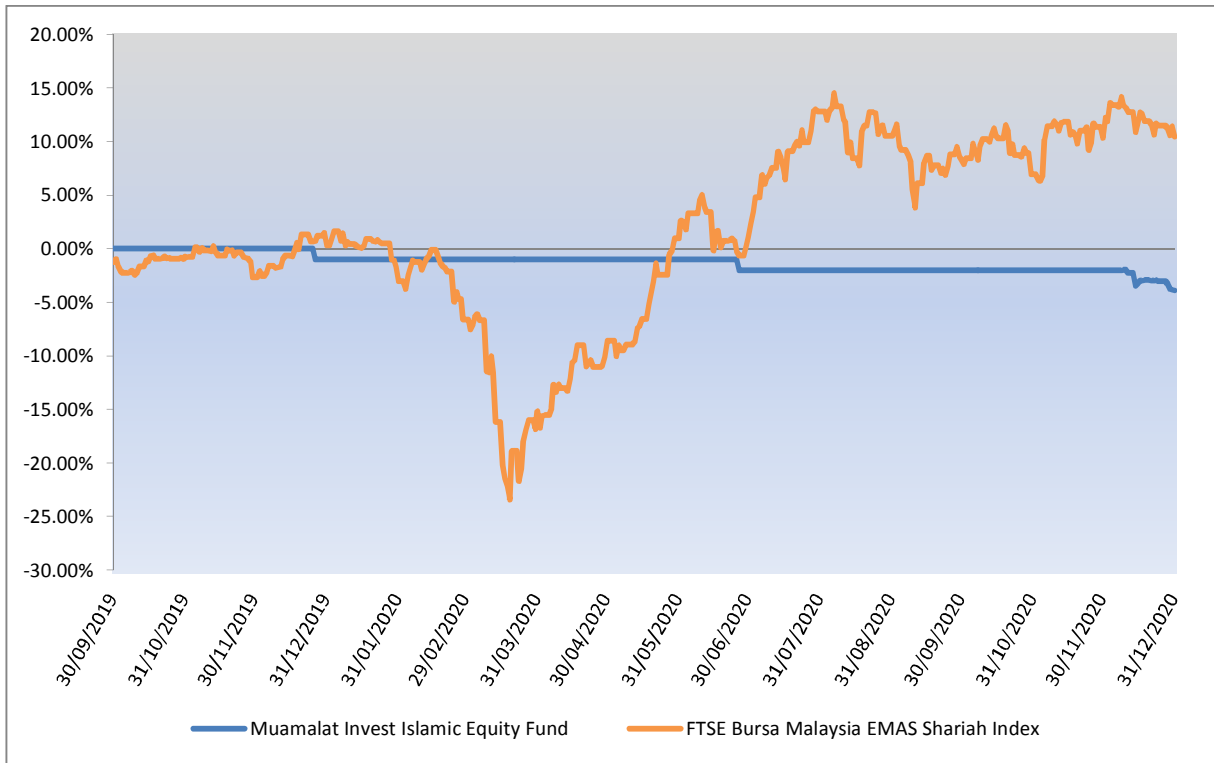
	Average Annual Return	
	Since Inception (03.09.2019 [^] - 31.12.2020)	
Muamalat Invest Islamic Equity Fund		
- Capital Return	-2.94%	
- Income Return	-	
Total Return	-2.94%	
FTSE Bursa Malaysia EMAS Shariah Index	9.09%	

	Total Return	
	2020 (03.09.2019 [^] - 30.06.2020)	Period-to-date (01.07.2020- 31.12.2020)
Muamalat Invest Islamic Equity Fund	N/A*	-1.93%
FTSE Bursa Malaysia EMAS Shariah Index	N/A*	-3.24%

[^] Date of inception

* The Fund had been dormant since inception until 7 December 2020.

Cumulative Performance Since Inception



* Source: Novagni Analytics and Advisory Sdn Bhd (“Novagni”)

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Novagni Database) since inception.

The calculation of the above returns is based on computation methods of Novagni.

Note : Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

Fund Size	As at 31.12.2020	As At 30 June
		2020
Net Asset Value (RM)	4,904,761	980
Units In Circulation	5,103,041	1,000
Net Asset Value per unit (RM)	0.9611	0.9800

Historical Data	01.07.2020- 31.12.2020	Financial Period Ended 30 June
		2020
Unit Prices		
NAV Price - Highest (RM)	0.9802	1.0000
- Lowest (RM)	0.9441	0.9800
Distribution and Unit Split		
Gross Distribution Per Unit (sen)	-	-
Net Distribution Per Unit (sen)	-	-
Distribution Date	-	-
NAV before distribution (cum)	-	-
NAV after distribution (ex)	-	-
Unit Split	-	-
Others		
Management Expense Ratio (MER) (%)	0.80	-#
Portfolio Turnover Ratio (PTR) (times)	0.64	-#

There was no transaction by the Fund during the financial period ended 30 June 2020.

FUND SIZE AND PROFILE OF UNIT HOLDINGS BY SIZE

As at 31 December 2020, the Fund's units in circulation stood at 5,103,041 units with a total of 2 accounts.

Size of Holdings	Account Holders		No. Of Units Held	
	No.	%	Units	%
5,000 and below	1	50.00	1,000	0.02
5,001 to 10,000	-	-	-	-
10,001 to 50,000	-	-	-	-
50,001 to 500,000	-	-	-	-
500,001 and above	1	50.00	5,102,041	99.98
Total	2	100.00	5,103,041	100.00

REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial period under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unitholders.

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	<u>Note</u>	<u>31.12.2020</u> RM	<u>30.06.2020</u> RM
ASSET			
Financial assets at fair value through profit or loss	5	738,850	-
Shariah-compliant deposits with licensed Islamic financial institutions	6	4,160,314	
Bank balance	6	10,745	980
TOTAL ASSET		<u>4,909,909</u>	<u>980</u>
LIABILITIES			
Accrued management fee		4,887	-
Amount due to Trustee		261	-
TOTAL LIABILITIES		<u>5,148</u>	<u>-</u>
NET ASSET VALUE		<u>4,904,761</u>	<u>980</u>
UNITHOLDER'S FUNDS			
Unitholder's capital		5,001,000	1,000
Accumulated loss		(96,239)	(20)
		<u>4,904,761</u>	<u>980</u>
NUMBER OF UNITS IN CIRCULATION	5	<u>5,103,041</u>	<u>1,000</u>
NET ASSET VALUE PER UNIT		<u>0.9611</u>	<u>0.9800</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED TO 31 DECEMBER 2020**

	<u>Note</u>	<u>01.07.2020 to 31.12.2020</u> RM	<u>Financial period from 03.09.2019 (date of launch) to 31.12.2019</u> RM
INVESTMENT INCOME			
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions		4,821	-
Net loss on financial assets at fair value through profit or loss	5	(93,298)	-
		<u>(88,477)</u>	<u>-</u>
EXPENSES			
Management fee	6	(4,887)	-
Trustee's fee	7	(261)	-
Transaction costs		(2,594)	-
Other expenses		-	(20)
		<u>(7,742)</u>	<u>(20)</u>
Loss before taxation		(96,219)	(20)
Taxation	9	-	-
Loss after taxation and total comprehensive loss for the financial period		<u>(96,219)</u>	<u>(20)</u>
Loss after taxation is made up of the following:			
Realised amount		(2,921)	(20)
Unrealised amount		(93,298)	-
		<u>(96,219)</u>	<u>(20)</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	<u>Unitholder's capital</u> RM	<u>Accumulated loss</u> RM	<u>Total</u> RM
Balance as at 1 July 2020	1,000	(20)	980
Movement in net asset value:			
Total comprehensive loss for the financial period	-	(96,219)	(96,219)
Creation of units arising from applications	5,000,000	-	5,000,000
Balance as at 31 December 2020	<u>5,001,000</u>	<u>(96,239)</u>	<u>4,904,761</u>
Balance as at 3 September 2019 (date of launch)	1,000	-	1,000
Movement in net asset value:			
Total comprehensive loss for the financial period	-	(20)	(20)
Balance as at 31 December 2019	<u>1,000</u>	<u>(20)</u>	<u>980</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	01.07.2020 to 31.12.2020 RM	Financial period from 03.09.2019 (date of launch) to 31.12.2019 RM
CASH FLOWS FROM OPERATING ACTIVITY		
Purchase of investments	(834,742)	-
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions	4,821	-
Payment for other fees and expenses	-	(20)
	<hr/>	<hr/>
Net cash used in operating activities	(829,921)	(20)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	5,000,000	-
	<hr/>	<hr/>
Net cash generated from financing activities	5,000,000	-
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	4,170,079	(20)
Cash and cash equivalents at the beginning of the financial period/date of launch	980	1,000
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	4,171,059	980
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Shariah-compliant deposits with licensed Islamic financial institutions	4,160,314	-
Bank balance	10,745	980
	<hr/>	<hr/>
	4,171,059	980
	<hr/> <hr/>	<hr/> <hr/>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

1 THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The Muamalat Invest Islamic Equity Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 18 June 2019 between Muamalat Invest Sdn Bhd ("the Manager") and Maybank Trustees Berhad ("the Trustee"). The Fund is governed by the Deed dated 18 June 2019 (referred to as "the Deed").

The Fund was launched on 3 September 2019 and will continue its operations until terminated as provided under Clause 12 of the Deed.

The principal activity of the Fund is to invest in "Permitted Investments" as defined under The Seventh Schedule of the Deed, which comprises Shariah-compliant equities and Shariah-compliant equities-related instruments, Islamic deposits and Islamic money market instruments, sukuk and/or Islamic liquid assets and any other form of investments as may be approved by the relevant authorities from time to time and acceptable under the Shariah principles.

The Fund's activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

All investments are subjected to the Securities Commission's (SC) Guidelines on Unit Trust Funds, SC requirements, the Deed and Prospectus, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to seek to achieve capital appreciation over medium to long term period.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of Bank Muamalat Malaysia Berhad. Its principal activity is the provision of Islamic fund management services.

These financial statements were authorised for issue by the Manager on 26 February 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

- (a) Standards, amendments to published standards and interpretations that are effective

“ The Conceptual Framework for Financial Reporting (Revised 2018)
“ Amendments to MFRS 101 and MFRS 108 –Definition of Materialø

The adoption of the above standards, amendments to standards or interpretations did not have a material effect on the financial statements of the Fund.

- (b) Standards and amendments that have been issued but not yet effective

“ Amendments to MFRS 3 –Reference to Conceptual Frameworkø (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
“ Annual Improvements to MFRSs 2018 ó 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

2.2 Financial assets

- (i) Classification

The Fund classifies its financial assets in the following measurement categories:

É those to be measured at fair value through profit or loss, and
É those to be measured at amortised cost

The Fund classifies its investments based on both the Fundø business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assetsø performance and to make decisions.

The contractual cash flows of the Fundø deposits with licensed Islamic financial institutions are solely payment of principal and interest (øSPPIø). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fundø business modelø objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in statement of comprehensive income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

Quoted investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of the statement of financial position, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective profit method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

(iii) Impairment of financial assets

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year/period.

2.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities which include accrued management fee and amount due to Trustee are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Unitholders' capital

The unitholders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 'Financial Instruments: Presentation'. Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

2.5 Income recognition

Dividend income from quoted investments is recognised when the Fund's right to receive payment is established. Dividend income is received from financial assets measured at FVTPL.

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions is recognised on an accrual basis using the effective profit method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Realised gain or loss on sale of quoted investments is arrived at after accounting for cost of investments, determined on the weighted average cost method.

2.6 Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profit earned during the financial period.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Presentation and functional currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia (RM), which is the Fund's presentation and functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Critical accounting estimates and judgments in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgment are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's Shariah-compliant investment, the Manager will ensure that all assets of the Fund under Management will be valued appropriately, that is at fair value and in compliance with SC Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include market risk, price risk, credit risk, liquidity risk, profit rate risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Prospectus and SC Guidelines on Unit Trust Funds.

Market risk

Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictable.

Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to quoted equity security price risk (other than those arising from interest rate risk) for its investments of RM738,850 (30.06.2020: nil) in quoted securities investments.

The sensitivity analysis is based on the assumption that the price of the quoted equity security investments fluctuate by +/- 5% with all other variables held constant, the impact on statement of income and expenses and net asset value is +/- RM36,943 (30.06.2020: nil).

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of an instrument will not be able to make timely payments of profit or principal repayment on the maturity date. This may lead to a default in the payment of principal and profit and ultimately a reduction in the value of the Fund.

In the case of the Fund, the Manager will endeavour to minimise this risk by selecting only licensed Islamic financial institutions having a minimum credit rating of A3 as rated by RAM or A- as rated by MARC.

The following table sets out the credit risk concentrations of the Fund:

	Shariah-based deposits with licensed financial institutions RM	Bank balance RM	Total cash and cash equivalents RM
<u>31.12.2020</u>			
Financial institutions:			
- AAA	1,645,025	10,745	1,655,770
- AA3	850,927	-	850,927
- A2	1,664,362	-	1,664,362
	<u>4,160,314</u>	<u>10,745</u>	<u>4,171,059</u>
<u>30.06.2020</u>			
Financial institutions:			
- AAA	-	980	980
	<u>-</u>	<u>980</u>	<u>980</u>

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of Shariah-based liquid assets to meet anticipated payment and cancellations of unit by unitholders. Shariah-based liquid assets comprise cash, short term Shariah-compliant deposits with licensed Islamic financial institutions and other Shariah-compliant instruments, which are capable of being converted into cash within 7 days.

	Less than 1 month RM
<u>31.12.2020</u>	
Accrued management fee	4,887
Amount due to Trustee	261
	<u>5,148</u>

As at 30 June 2020, the Fund is not exposed to a material level of liquidity risk.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Profit rate risk

Profit rate risk is the risk that the value of the Fund's investments and its return will fluctuate because of changes in market profit rates.

Profit rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the fair value profit rate risk arises from deposits with licensed Islamic financial institutions. The profit rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed Islamic financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short term basis.

As at the end of the financial period, the Fund is not exposed to a material level of profit rate risk.

The Fund is not exposed to cash flow profit rate risk as the Fund does not hold any financial instruments at variable profit rate.

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM5,001,000 (30.06.2020: RM1,000) and accumulated loss of RM96,239 (30.06.2020: RM20). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4 FAIR VALUE ESTIMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

4 FAIR VALUE ESTIMATION (CONTINUED)

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair values are based on the following methodologies and assumptions:

- (i) For bank balances, deposits and placements with licensed Islamic financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value less impairment of receivables and payables are assumed to approximate their fair values. The carrying values of financial assets and financial liabilities approximate their fair values due to their short term nature.

Fair value hierarchy

The Fund adopted MFRS 13 ‘Fair Value Measurement’ in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>31.12.2020</u>				
Financial assets at fair value through profit or loss				
- Quoted investments	738,850	-	-	738,850
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Fund held no financial assets at fair value through profit or loss as at 30 June 2020.

Investments in active listed equities, i.e. quoted investments whose values are based on quoted market prices in active markets are classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund’s policies on valuation of these financial assets are stated in Note 2.2.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31.12.2020</u> RM	<u>30.06.2020</u> RM
Financial assets designated as FVTPL:		
- quoted investments	738,850	-
	<u>738,850</u>	<u>-</u>
	<u>01.07.2020</u> <u>to 31.12.2020</u> RM	Financial period from 03.09.2019 (date of launch) <u>to 31.12.2019</u> RM
Net loss on financial assets at FVTPL comprised:		
- net unrealised loss on changes in fair values	(93,298)	-
	<u>(93,298)</u>	<u>-</u>

Financial assets designated as FVTPL as at 31 December 2020 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> RM	<u>Percentage</u> <u>of net</u> <u>asset value</u> %
QUOTED INVESTMENTS				
HEALTHCARE				
Hartalega Holdings Berhad	25,000	324,758	303,500	6.19
Kossan Rubber Industries Berhad	50,000	281,070	225,000	4.59
Supermax Corporation Berhad	35,000	226,320	210,350	4.29
		<u>832,148</u>	<u>738,850</u>	<u>15.07</u>
TOTAL QUOTED INVESTMENTS		832,148	738,850	15.07
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>(93,298)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>738,850</u>		

The Fund held no financial assets at fair value through profit or loss as at 30 June 2020.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>31.12.2020</u> RM	<u>30.06.2020</u> RM
Shariah-based deposits with licensed financial institutions	4,160,314	-
Bank balance	10,745	980
	<u>4,171,059</u>	<u>980</u>

7 NUMBER OF UNITS IN CIRCULATION

	<u>01.07.2020</u> to <u>31.12.2020</u> Units	Financial period from 03.09.2019 (date of launch) to <u>30.06.2020</u> Units
At the beginning of the financial period/date of launch	1,000	1,000
Creation of units arising from applications during the financial period	5,102,041	-
At the end of the financial period	<u>5,103,041</u>	<u>1,000</u>

8 MANAGEMENT FEE

Clause 13.1 of the Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 1.65% per annum of the net asset value of the Fund, calculated on a daily basis.

Effective 8 December 2020, the management fee provided in the financial statements is 1.50% (30.06.2020: nil) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

There will be no further liability to the Manager in respect of management fee other than the amount recognised above.

9 TRUSTEE'S FEE

Clause 13.2 of the Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.08% per annum of the net asset value of the Fund subject to a minimum of RM18,000 per annum, calculated on a daily basis.

Effective 8 December 2020, the Trustee's fee provided in the financial statements is 0.08% (30.06.2020: nil) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

There will be no further liability to the Trustee in respect of Trustee's fee other than the amount recognised above.

10 TAXATION

(a) Tax charge for the financial period

	01.07.2020 to 31.12.2020	Financial period from 03.09.2019 (date of launch) to 31.12.2019
	RM	RM
Current taxation	-	-
	<u> </u>	<u> </u>

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the loss before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	01.07.2020 to 31.12.2020	Financial period from 03.09.2019 (date of launch) to 31.12.2019
	RM	RM
Loss before taxation	(96,219)	(20)
	<u> </u>	<u> </u>
Tax calculated at a tax rate of 24%	(23,093)	(5)
Tax effects of:		
- Loss not deductible for tax purposes	21,235	-
- Expenses not deductible for tax purposes	685	5
- Restriction on tax deductible expenses	1,173	-
	<u> </u>	<u> </u>
Tax expense	-	-
	<u> </u>	<u> </u>

11 MANAGEMENT EXPENSE RATIO (“MER”)

	01.07.2020 to 31.12.2020	Financial period from 03.09.2019 (date of launch) to 31.12.2019
		%
MER	0.80%	-
	<u> </u>	<u> </u>

The MER is the ratio of total fee and recovered expenses of the Fund expressed as a percentage of the Fund’s average net asset value.

12 PORTFOLIO TURNOVER RATIO (“PTR”)

	01.07.2020 to 31.12.2020	Financial period from 03.09.2019 (date of launch) to 31.12.2019
The PTR for the financial period (times)	0.64	-

The PTR is the ratio of the average acquisitions and disposals of the Fund during the financial period to the average net asset value of the Fund.

There was no investment in the Fund during the financial period ended 31 December 2019.

13 UNITS HELD BY THE MANAGER AND RELATED PARTIES, SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
Muamalat Invest Sdn Bhd	The Manager
Bank Muamalat Malaysia Berhad	Holding company of the Manager

The number of units held by the Manager is as follows:

	31.12.2020		30.06.2020	
	<u>Units</u>	<u>RM</u>	<u>Units</u>	<u>RM</u>
The Manager	1,000	961	1,000	980

The units are held beneficially by the Manager for booking purposes. The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

Other than the above, there were no units held by Directors or parties related to the Manager.

There were no related party transactions and balances during the financial period.

14 TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial period ended 31 December 2020 are as follows:

<u>Brokers/financial institutions</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
MIDF Amanah Investment Bank Berhad	507,391	60.97	863	52.44
CGS-CIMB Securities Sdn Bhd	206,077	24.77	515	31.32
TA Securities Holdings Berhad	118,680	14.26	267	16.24
	<u>832,148</u>	<u>100.00</u>	<u>1,645</u>	<u>100.00</u>

There was no transaction by the Fund during the financial period ended 30 June 2020.

15 COMPARATIVES

The figures are not comparable as the comparatives covered less than 6 months.

16 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, may result in the deterioration of the Fund's Net Asset Value/unit in future periods.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

STATEMENT BY MANAGER

We, Datoø Adnan bin Alias and Mohd Faruk bin Abdul Karim, two of the Directors of Muamalat Invest Sdn Bhd (öthe Managerö), do hereby state that in the opinion of the Directors of the Manager, the accompanying unaudited financial statements set out on pages 11 to 28 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance and cash flows for the financial period ended 31 December 2020 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

On behalf of the Manager

DATOøADNAN BIN ALIAS
DIRECTOR

MOHD FARUK BIN ABDUL KARIM
DIRECTOR

Kuala Lumpur
26 February 2021

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MUAMALAT INVEST ISLAMIC EQUITY FUND

We have acted as Trustee for Muamalat Invest Islamic Equity Fund (öthe Fundö) for the financial period ended 31 December 2020. To the best of our knowledge, Muamalat Invest Sdn Bhd (öthe Managerö) has managed the Fund in the financial period under review in accordance with the following:

1. Limitations imposed on the investment powers of the Manager under the deeds, securities laws and the Securities Commission Malaysia's Guidelines on Unit Trust Funds;
2. Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirements; and
3. Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirements.

For **Maybank Trustees Berhad**
[Company No.: 196301000109 (5004-P)]

BERNICE K M LAU
Head, Operations

26 February 2021

REPORT OF THE SHARIAH ADVISER

To the unitholders of MUAMALAT INVEST ISLAMIC EQUITY FUND (öFundö),

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, Muamalat Invest Sdn Bhd has operated and managed the Fund during the period covered by these financial statements in accordance with the 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 comprises of instruments that have been classified as Shariah compliant.

For **Bank Muamalat Malaysia Berhad**

Azizi Che Seman
Chairman of Shariah Committee for Bank Muamalat Malaysia Berhad

26 February 2021