Nomura Global Shariah Strategic Growth Fund ('SGF')

Investor Letter #11

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Dear SGF investors and friends,

We would like to start by taking this opportunity to wish everyone a happy new year and best wishes for the year ahead. A busy start for the financial markets as the Democrat win at the Georgia Senate elections was not expected. With both the house and the senate now under Democrat control (albeit a thinly held majority helped by Vice President Harris), new questions have arisen such as the quantum of further fiscal stimulus (including an infrastructure stimulus) as well as further tax hikes (unlikely to be this year) to fund the increased spend.

Let's start with the review of the performance of the portfolio in December.

Class A

SGF Performance for 30th Nov to 31th Dec = +1.59%

SGF Performance from Inception to 31th Dec = +12.78%

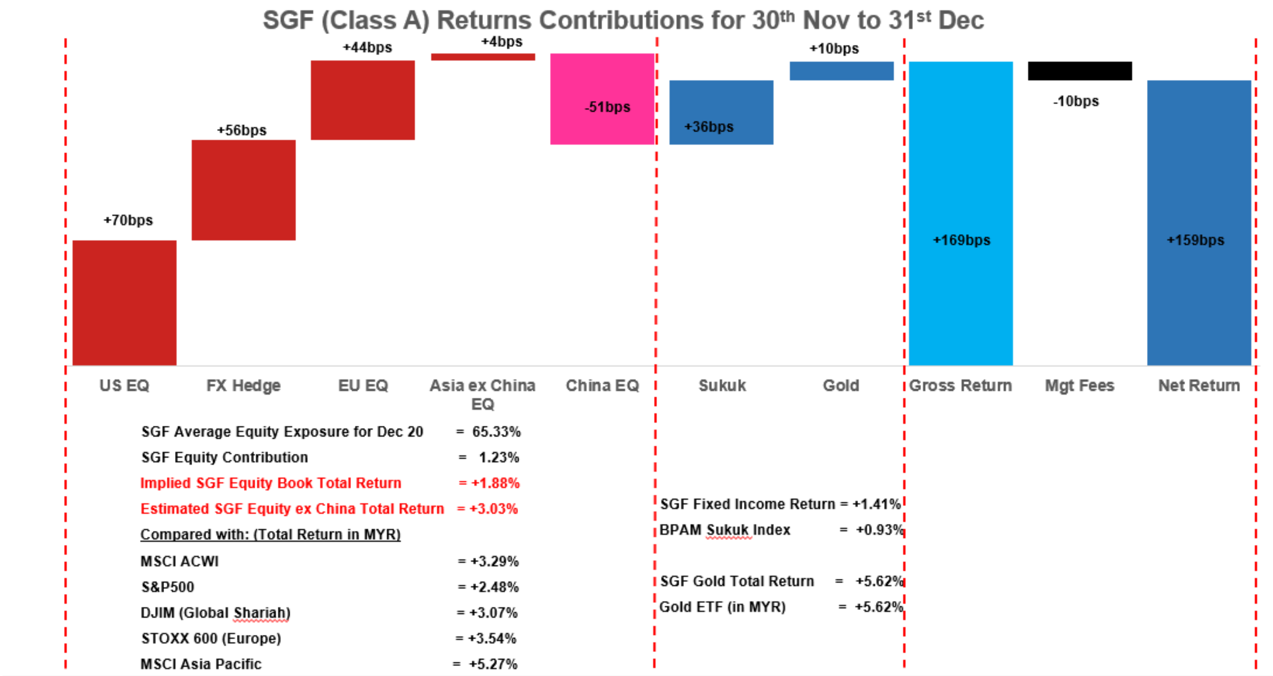
Inception Date = 2nd June 2020

Class B

SGF Performance for 30th Nov to 31th Dec = +1.56%

SGF Performance from Inception to 31th Dec = 12.59%

Inception Date = 2nd June 2020



The markets continued to move higher in December despite a significant increase in Covid cases and short term concerns that a pull-back is due (measured by market internals and various ST indicators). SGF Class A was up +1.59% whilst Class B was up +1.56%. Let's break the performance down.

Equity Book Performance for the month of November (all figures in MYR)

MSCI ACWI, often cited as the benchmark for Global Equities was up +3.29% whilst the Shariah benchmark for Global Equities, DJIM was up +3.07%. S&P 500 (US Market) was up +2.48%, SXXP600 (Europe Market) was up +3.54% whilst MSCI Asia Pac was up +5.27%. Outperformance of Asia was notable as investors started to rotate from developed markets to emerging markets, partly driven by the weaker dollar (stronger EM FX a source of return of USD based investors)

This compares to SGF's equity book performance of +1.88%. Similar to the month of November, our China Internet exposure (Ali Baba and Tencent) continues to be a significant drag to the portfolio's performance. Rising anti-trust concerns in China led to Ali Baba returning -12.2% in December with Tencent down -1.15% even though arguably it does not face the same concerns. Excluding these 2 stocks, the equity book performance was actually +3.03%, in line with global markets. This is again a good outcome for the fund as December saw some profit taking where winners were sold, and laggards were bought as funds attempted

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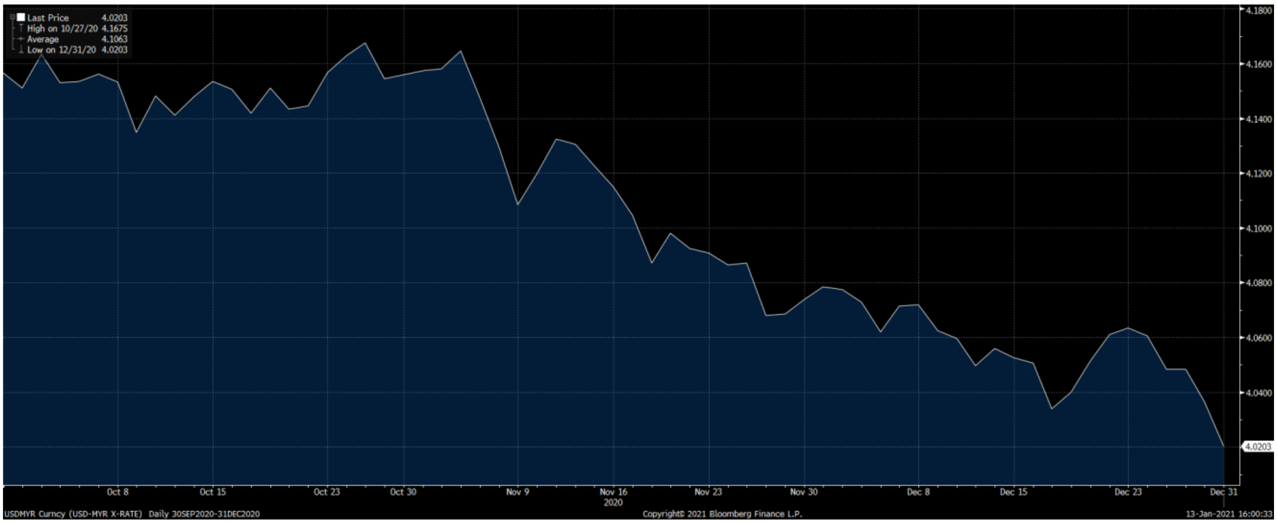
to lock in performance into the year end. Such dislocations tend to impact long only funds more compared to the "Fast Money" funds. With regards to the China Internet stocks, no change in our long term view (as expressed in the previous SGF letter #10).

Fixed Income / Sukuk Book and Gold Performance for the month of December (all figures in MYR)
SGF's Fixed Income book returned +1.41%, reversing the loss incurred in the previous month. This performance compares to the BPAM Sukuk Index return of +0.93%. The Malaysian bond market performed well in tandem with the rally we saw in global fixed income market (possibly due to year-end positioning) and no major selloff from the Malaysia sovereign rating downgrade by Fitch. On a side note, continued foreign inflows had well supported the Malaysian bond market in December. Stronger Ringgit, better fundamentals, and better economic performance in EM & China continued to attract flows into EM.

Gold on the other hand recovered some of the losses in November (+5.62%) as the rotation into riskier assets was underway. We continue to see the value of having Gold in the portfolio, albeit at a much lower weight (less than 3% of the portfolio now).

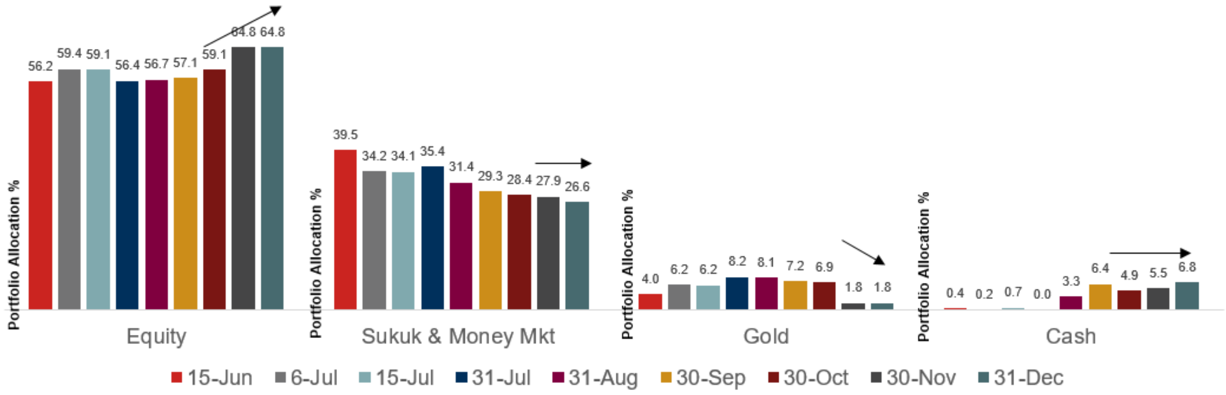
FX Update

In our last letter, we talked about how we added to our hedges, as the view on FX is MYR along with the emerging market currencies should see appreciation driven by flow coming from the developed markets. MYR strengthened by about 1.3% in the month of December against the US dollar. As a quick reminder, as Malaysian investors investing in global equities, a stronger ringgit or weaker dollar reduces our returns in ringgit terms. That is why, SGF hedges the currency on a dynamic basis. i.e. the hedge is not always there but in times where we think the narrative supports a weaker dollar, we would start to hedge. The good news is given that the portfolio was largely hedged out in December, the stronger ringgit was not a headwind for our investment returns.



Source: Bloomberg Dec 2020

Summary: Strategy & Portfolio Allocation



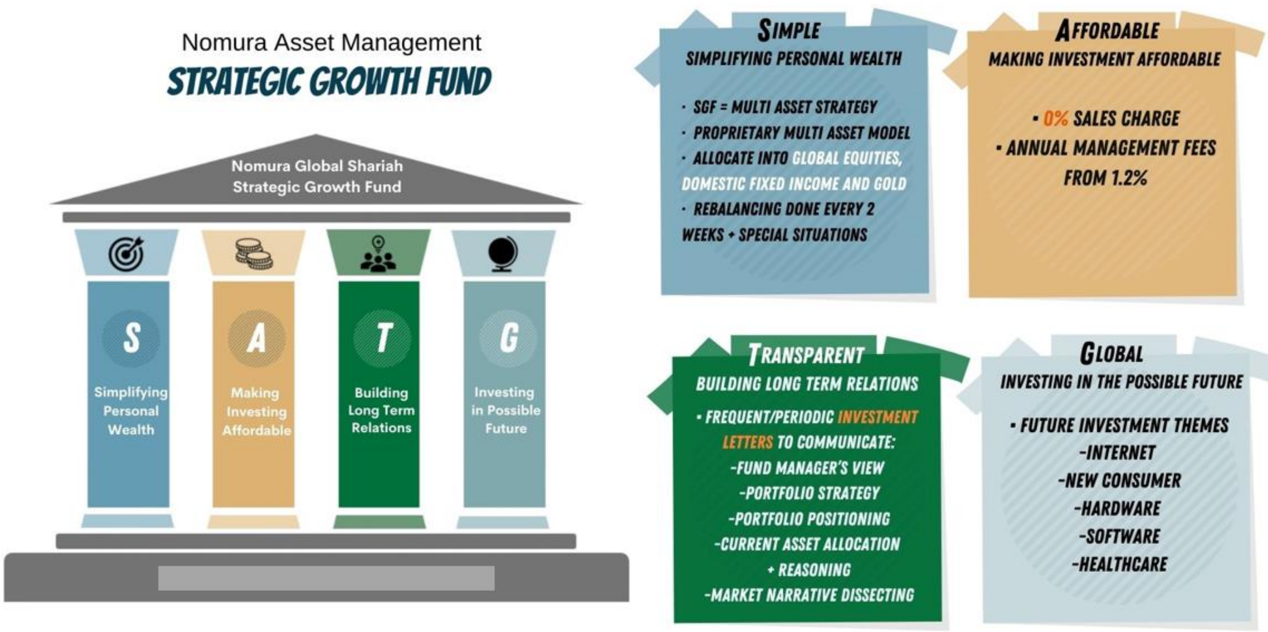
We keep our letter short this month as the narrative has not materially changed over the month of December. Whilst the Georgia elections have changed the path ahead somewhat, details at this stage are still largely outstanding.

As for SGF's strategy, any dips from here will be bought and used as an opportunity to further increase our equity exposure into 2021. Equity risk premias remain elevated vs. history and implied volatility, meaning there is further room for valuations to re-rate higher and with earnings expected to grow by 25-30% this year – makes investing in equities extremely attractive, especially relative to bonds. Please see SGF letter #9 for the path ahead for global equities over the next 1-2 years.

We hope this letter finds you in good health. Thank you for investing with SGF.

Sincerely,

Hisham Hamzah



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