Dear SGF investors and friends,

Source: Canva

SGF and Global Market Review

August was surprisingly another strong month for Global Equities – we were cautious going into the month. The global benchmark for equities, the MSCI All Country World Index or ACWI was up +2.54% in USD terms but when measured in MYR terms, ACWI was only up +0.94% as dollar weakened into the end of the month. We will further discuss the reasons for the weaker dollar / stronger ringgit below.

On the bright side, the Strategic Growth Fund's (SGF) NAV for Class A, increased by +1.15% and Class B increased by 1.12%.

Equity Contribution +1.36%

Even though the fund held about 58-59% in Equities, the overall fund performance was actually ahead of ACWI, the global benchmark for equities. Strong performance in August was driven by our Equity book, which had a total return of 2.33% in MYR terms (vs. ACWI 0.94% in MYR). This translated into a contribution of 1.37% for the month of August. Strong Equity performance was driven by our exposures in Europe (big contributors = Adyen, Infineon and Schneider Electric) and Japan (big contributors =

Recruit Holdings and Kobe Bussan). Also worth a mention is our holding in Nvdia (chip maker and enabler of Artificial Intelligence in our view) which contributed 0.26% to the fund's performance. Our exposure to China Internet remains mixed, with Meituan contributing 0.15% but mostly offset by Tencent and Ali Baba.

Fixed Income Contribution +0.15%

Our sukuk investments via the Nomura i-income fund (Collective Investment Scheme CIS), returned 0.53% for the month of August, translating to a contribution of 0.15%

FX Headwinds -0.16%

Circa 10% of cash was held in foreign currencies, as we were cautious of the risks in fixed income ahead of the Fed's Jackson hole event at month end. If the Fed's taper and rate hike signals came in ahead of the market, it would lead the dollar to strengthen and bond yields to rise. Hence we capped our position in Fixed income to 27% of the fund and left the remainder in foreign currency cash. However, the Fed was more Dovish than expected at the Jackson Hole event, by clearly separating taper and rate hikes and introducing a more stringent criteria for raising rates. i.e. a signal that rate hikes could be further out than what the market was expecting. The implication of this, is the selling of USD and buying of Asia Currencies, including the MYR – hence the strength in MYR vs. the USD, which was a headwind to fund performance in August as mentioned in the last letter, we have been unhedged from Late June.

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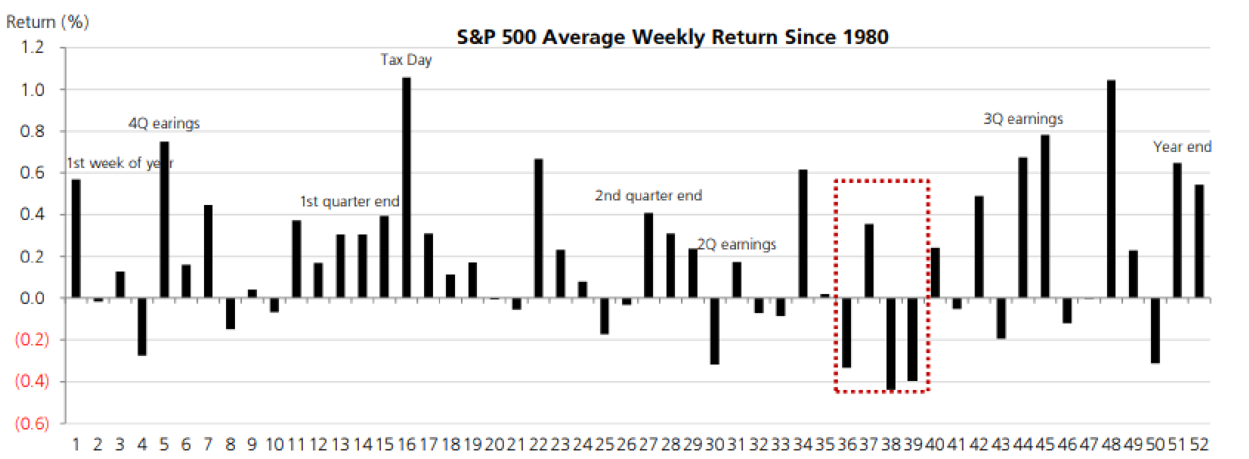
Where to from here?

August and September has historically shown to be seasonally weaker. More specifically, if we look at the S&P 500 (US market) data since 1980, the last two weeks of September have the weakest average returns of less than -0.4%, with the last week of September being down 26 out of the last 41 years. Whilst seasonality alone is never a reason to be cautious of the market, as history never repeats, it only rhymes, we do think that there are fundamental reasons to be slightly cautious of a near term dip (which will eventually be bought) – please see previous months letter for more details.

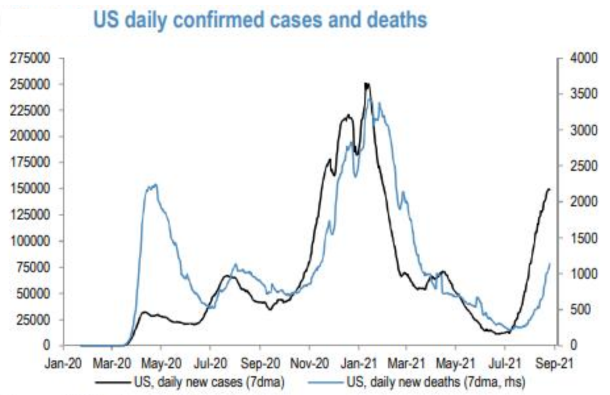
S&P 500 calendar weekly returns since 1980



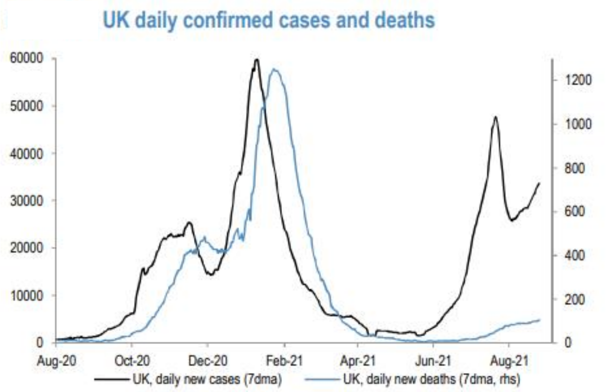
Source : Bloomberg, UBS

Delta Variant – the 3rd Reopening

There are currently concerns that the Delta Variant will lead to a slowdown in growth and the reopening of the economy in the US and Europe who are further along in their vaccination programs. Whilst we agree that the rise in Delta variant in these economies will lead to a slower growth environment in the 3rd quarter, we think that a third (and final?) wave of reopening will happen as we enter the 4th quarter and into 2022. Even though cases are starting to rise again in the US and the UK for example, death rates have not followed. Meaning whilst transmissibility is rising, severity is not, which is the key requirement for a return to normality.



Source: WHO, Bloomberg Finance L.P.

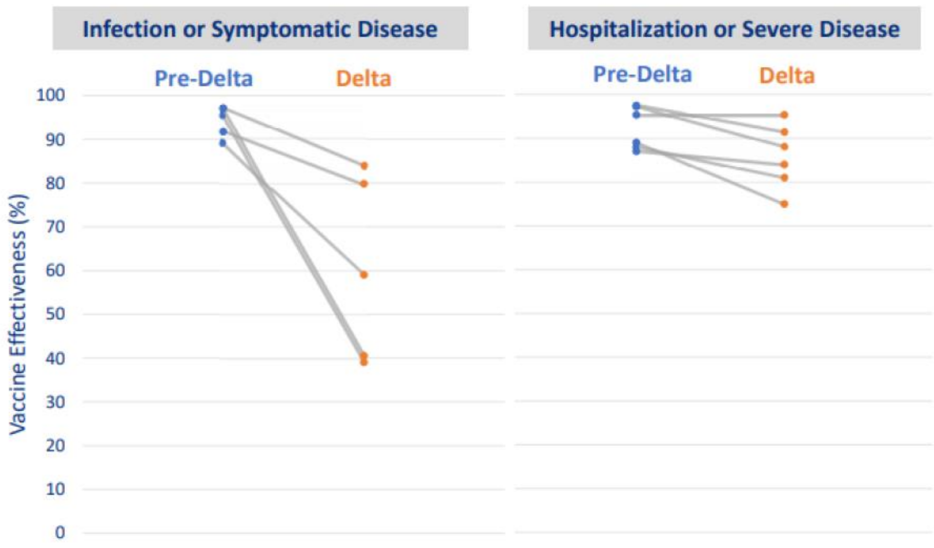


Source: WHO, Bloomberg Finance L.P.

Source: JP Morgan

Additionally, Vaccine Efficacy studies from the CDC shows that vaccines are still effective against the Delta Variant, specifically for hospitalisations or severe disease in the US.

Changes in vaccine efficacy pre/post Delta



Source: CDC data

Rates outlook – update post Jackson Hole

The much awaited Jackson hole largely echoed the July FOMC minutes, i.e. if the economy is on track, the reduction in the pace of asset purchases should begin by end of year (also known as Taper). However, the overall tone was more dovish than what the market had expected as a more stringent test was introduced for lift off guidance or rate hikes. The Fed, is now drawing a distinction between the decision to taper and the decision to increase interest rates.

"Timing and pace of coming reduction in asset purchases will not be intended to carry a discreet signal regarding the timing of interest rate lift off, which we have articulated a different and substantially more stringent test". – Federal Reserve

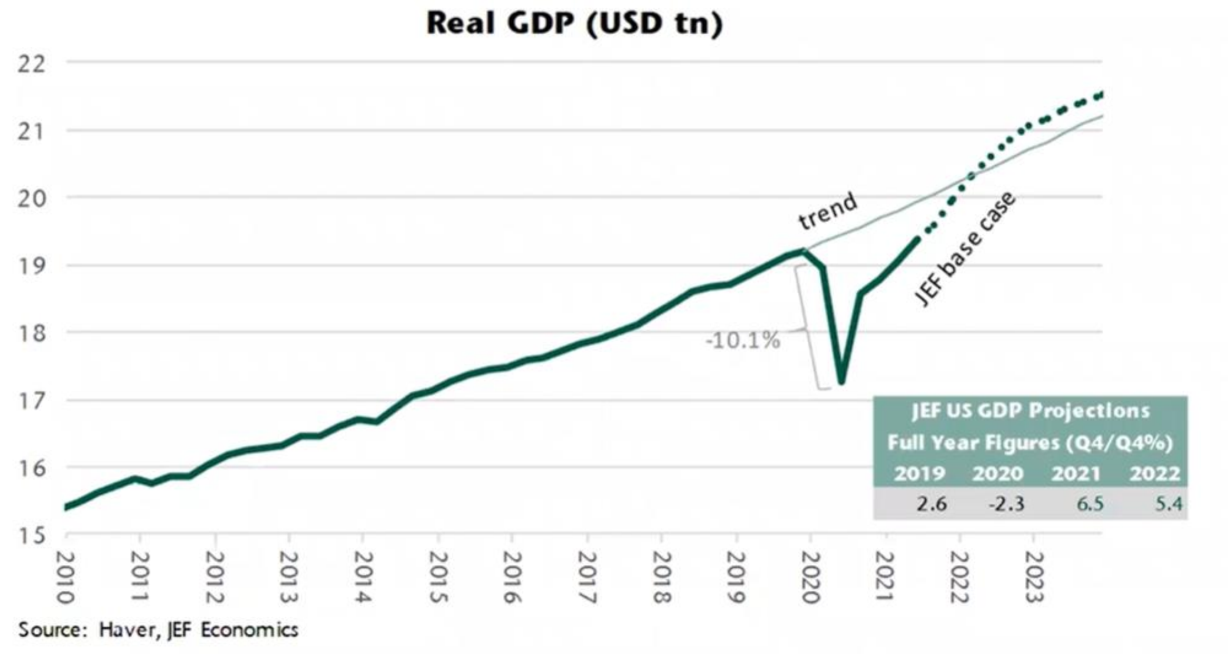
The decision to increase rates will be driven by full employment in the US economy. As such, the September Jobs data and the September FOMC statement will likely guide the debate on the pace and timing of the rate hikes. Market expects Fed to start hiking rates in 2023 however the pace or number of hikes is the variable. The committee is likely to follow the playbook of gradual and flexible approach to rate hikes, but if inflation is sustained at the targeted level into next year and growth continues to be strong, expect the Fed to start communicating the hikes once Taper is completed by 3Q next year. Ultimately, what this means, is we think that the yields are likely to go higher into the fall and winter this year, based on our view of the 3rd re-opening of the US economy.

Source: Canva

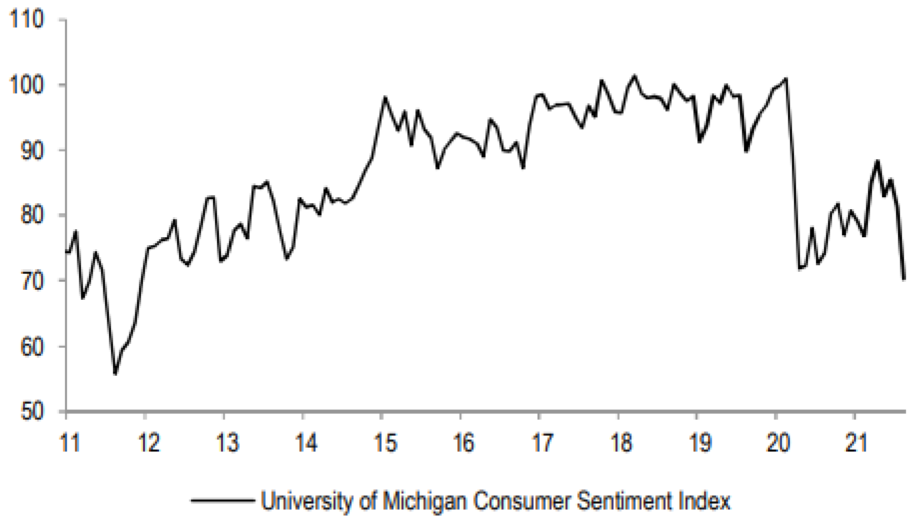
Lastly, to square the circle on FX views from here given the big move on USDMYR, if we look at the taper episode in 2013, the heightened expectations of Taper led the broad dollar index to strengthen by 2% initially, but as the taper narrative became largely accepted by the markets, the broad dollar index (DXY) reversed lower by -1.5%. However, when taper was finally announced, we saw the DXY index go up by +1.5%, which could be playbook from here. We think USDMYR could strengthen with the announcement of Taper and driven by the growth differential between the US and Emerging Asia, which is still battling the effects of COVID 19. As such, we continue to remain unhedged for foreign currency exposures of the portfolio.

US growth Outlook

In last month's letter, we mentioned that the growth of the US economy is likely to be ahead of trend, the reason we maintain our exposure to developed market equities.

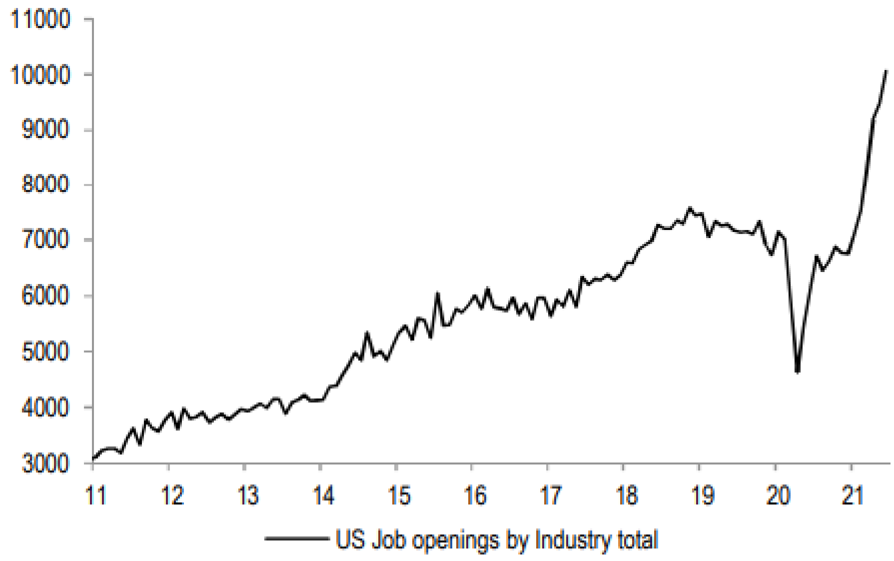


Two factors will drive the strong recovery in the US economy. A recovery in Capex cycle and a Strong Consumer. We lay out our thoughts here on the fundamentals of the US consumer as recent consumer data such as the US Michigan Consumer Confidence (Chart below) and Retail sales have raised some concerns on the health of the US consumer.



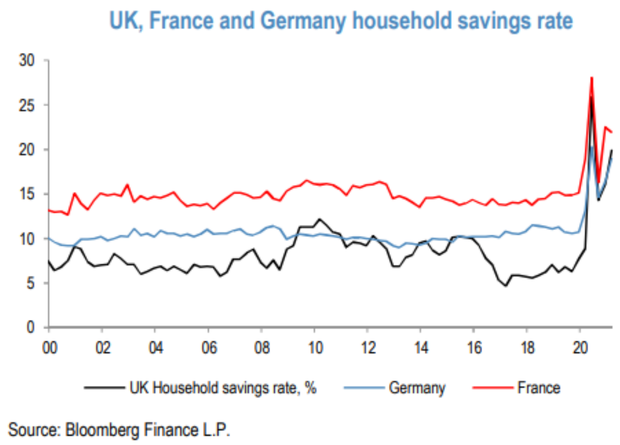
Source: JP Morgan

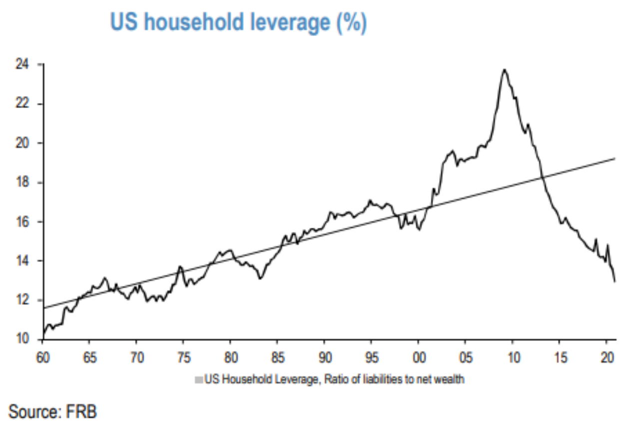
Firstly, we think that the outlook for the US consumer is supported by a strong outlook for the labour market. Job opening rates are reaching fresh highs and the unemployment rate continues to fall. At the same time, wage growth is starting to rise and this helps to provide support to real disposable incomes as inflation persists in the near term.



Source: JP Morgan

Secondly, household saving rates are at a level much higher compared to recent history and the consumer balance sheet (household leverage) is at a much healthier level compared to after the Great Financial Crisis.





Source: JP Morgan

As such, we think that the consumer will likely continue to spend into next year, contributing towards the growth of the economy. On the other hand, record low inventories and robust business capex plan is likely to boost the production side of the economy and the along with the strong consumer, provide the pillars to support the above trend growth for the US economy into next year.

Putting it all together

Whilst we continue to position the fund more defensively by maintaining the equity allocation at 58-59% of the fund, we retain our positive view on risk assets over the mid to long term. **Any corrections in the market is viewed as an opportunity to rebuild the equity exposure and buy the dip.** We hope that this letter finds you in good health, as we commit to providing you a high level of transparency on what transpires behind the fund, and insights to the fund manager's portfolio strategy.

Sincerely,

Hisham Hamzah

Portfolio Manager of Nomura's Strategic Growth Fund

Name	Since Inception 2-Jun-20 To 31-Aug-21 %	1 Month Performance 31-Jul-21 To 31-Aug-21 %	3 Months Performance 31-May-21 To 31-Aug-21 %	6 Months Performance 28-Feb-21 To 31-Aug-21 %	1 Year Performance 31-Aug-20 To 31-Aug-21 %
Nomura Global Shariah Strategic Growth A	24.52	1.14	5.23	8.37	13.99
Benchmark 6% Absolute Return MYR	7.71	0.5	1.48	2.98	5.99
Outperfomance/Underperformance	**16.81**	**0.64**	**3.75**	**5.39**	**7.99**
Nomura Global Shariah Strategic Growth B	24.06	1.12	5.15	8.21	13.64
Benchmark 6% Absolute Return MYR	7.71	0.5	1.48	2.98	5.99
Outperfomance/Underperformance	**16.35**	**0.62**	**3.67**	**5.23**	**7.64**

Source: Canva

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Disclaimer

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