NEWSLETTER

August 2021

WHAT'S INSIDE OUR LATEST ISSUE

Dear Investors,

We hope that you are keeping yourselves safe and healthy throughout this challenging times. InsyaAllah, we will through it together.

Frontline and other workers may experience extreme stress and fatigue due to their work. If you are feeling exhausted, detached and unable to focus at work, talk to your supervisor about your concerns and find time to rest. You can maintain positive mental health when you have proper rest, perform exercises, eat healthy food and constantly communicate with loved ones. Despite the challenges we are all facing due to COVID-19, we can still find purpose in our lives and be supportive of one another. When faced with a difficult situation, focus on what can be changed, accept matters that are beyond your control and always strive to live by your values.

Source: https://www.who.int/malaysia/emergencies/covid-19-in-malaysia/information/mental-health

Insights and Updates

The first article in this newsletter is on financial literacy and some keywords with simple explanation.

For our personal finance section, we have tips on how to build a budget for your newborn. For those who are starting a family, you may find these tips and information useful and able to plan your financial budget better.

Our third article is on ESG and Shariah compliant investing.

We would also like to inform that the Bank Islam group strongly adopts "TAAT" (Dutiful) which consists of a set of internalised values that is central to the group and subsidiaries, comprising the creeds and beliefs that must be adopted by employees. "TAAT" stands for;
(T) Think Customer
(A) Advance Beyond
(A) Act with Integrity and;
(T) Take Charge.

At BIMB Investment, it is important to continually adopt these values onto our employees, and that each and every single individual can play their roles in inculcating those values and conveying the right key message.

BIMB Investment has recently been awarded:
- **Best Islamic Asset & Fund Manager** *for 4 consecutive years*
- **Best Risk-Adjusted Returns: ESG Principle Investments** *for 3 consecutive years*

at the Alpha Southeast Asia Awards 2021. We would like to take this opportunity to thank all of our investors, clients, distributors, agents and employee.

Financial Terms You Need to Know by Age 30

Financial literacy as defined by the National Financial Educators Council is the ability to manage financial resources effectively for a lifetime of financial security. Most young people who get into financial trouble due to their inability to sustain debt made of installment purchases, personal loans and credit card debt. However, it is never too late to learn and educate ourselves especially in a time when consumer finance is changing rapidly due to technology.

No matter our age, we are never too old or distanced to learn how to alter the trajectory of our finances. Here's an introduction or refresher of financial words you should have in your financial toolkit before hitting the tender age of 30.

Net Worth

This number is reflective of your personal or businesses' total value. The key to making sure your net worth remains positive is to continue to reduce personal liabilities. A basic formula used to calculate this is: Assets – Liabilities = Net Worth.

Assets

Anything that is of value and personally owned qualifies as an asset. Cash, various investments and art collectibles are just a few examples. Property can also serve as an asset if there is a zero-balance owed to a lender. The more assets that are acquired contributes to the overall creation and preservation of wealth – ultimately benefiting you and your family.

Liability

Credit card balances, car, mortgage payments, and outside loans are examples of items that are owed for payment, whether the short or long term can be classified as a liability.

Capital

For all aspiring and current entrepreneurs, this term refers to the wealth of a business. Capital can also be classified as tangible and intangible. Physical assets such as vehicles or land are tangible, while intellectual property such as copyrights and patents are non-physical items.

Cash Flow

The amount of operating cash through your personal and/or business accounts is known as cash flow. Maintaining a budget and monitoring the constant activity of your accounts is essential to identifying where improvements can be made to increase capital.

Depreciate

Let’s paint a picture here. The car salesman allows you to sign the paperwork and hands over to you a set of nice, shiny keys to a brand-new car. As soon as you jump in the vehicle and pull off of the lot, the car immediately loses the initial value – this is a prime example of depreciation. As this example suggests, the car will continue to decline over time.

Liquidity

How quickly can an asset be turned into cash without compromising its’ value? Cash on hand in a checking, savings account, unit trust, stock or treasury are examples of things that can be converted into cash fairly quickly.

Interest Rate

A computed percentage based on the principal amount borrowed from the lender is known as an interest rate. Bank Negara Malaysia also known as the central banking system for Malaysia is one of the many factors that contribute to a determined interest rate. Your credit score, terms of the loan and loan type are just a few examples of what can decrease or increase this number. When in the market for a car or home, it’s best to shop around to make sure you’re getting the best rate possible.

Compound Interest

Ever wonder why many investors are successful? To better understand the power of compound interest, let’s walk through the meaning of simple interest. This is a set percentage of the principal annually. Now, compound interest can be explained as interest on the interest. Let’s say you’ve invested RM10,000 at 5% interest. After the initial year, RM500 has been added to your account. During the second year and beyond, an additional 5% will be added to your account with the starting balance of RM10,500 versus RM10,000. The compound interest over time significantly increases your profit.

Secured vs. Unsecured Loan

A car or mortgage loan are common types of secured loans. Anything that is not protected by collateral can be classified as an unsecured loan. Unsecured loans are student loans, credit cards or personal loans. These unsecured loans typically can have higher interest rates.

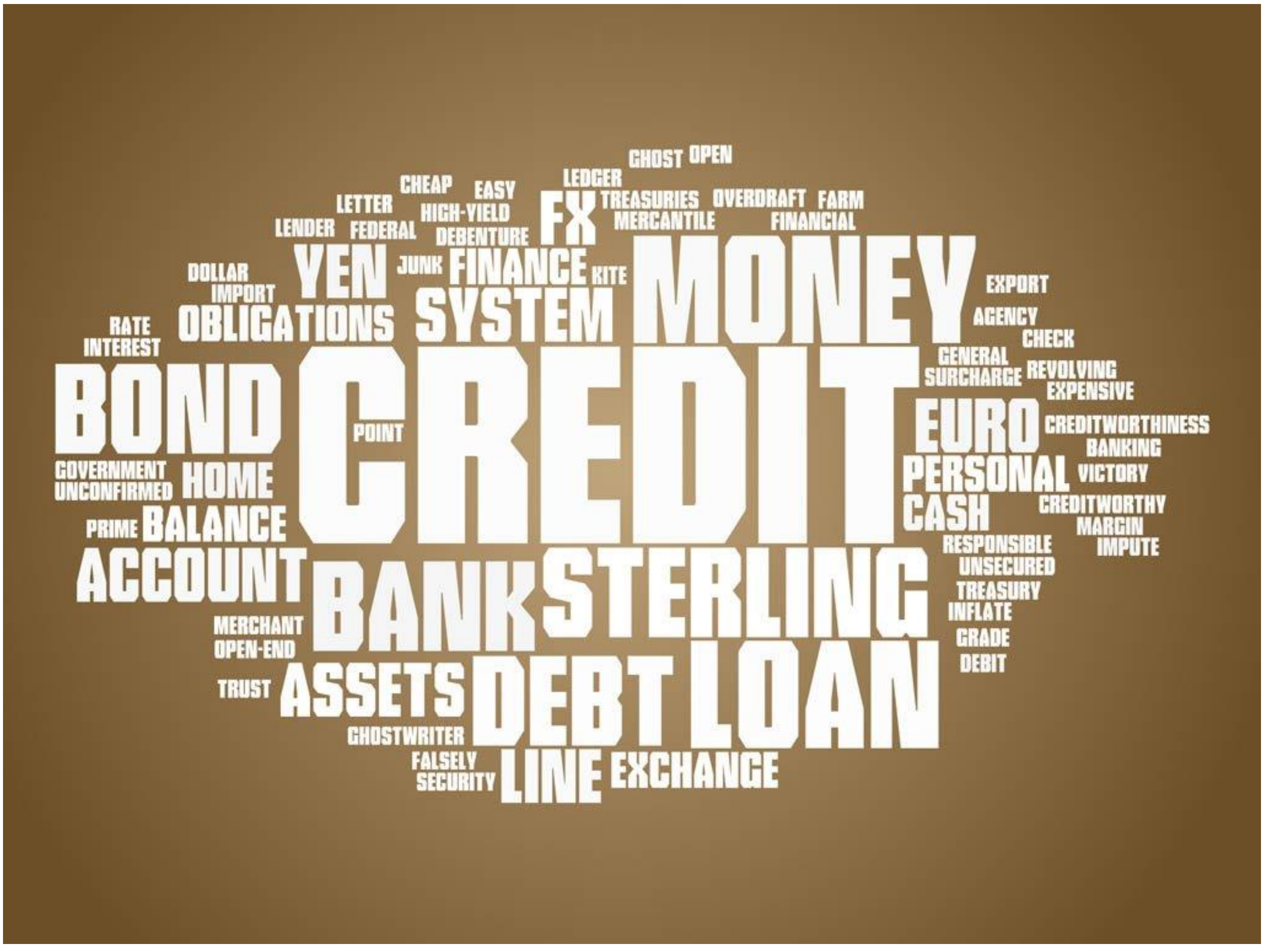
Line of Credit

An amount of revolving credit extended to a borrower when it's needed is a line of credit. The main difference between a normal loan is that this type allows borrowers to repay or draw from available funds.

Principal

The original amount of money borrowed defines principal. All loans typically include a principal (the initial amount borrowed) and interest payment (percentage of the initial amount).

Becoming very acquainted with the meanings of the terms above can help you make healthy financial decisions, involving less stress and increasing your overall confidence. Whether you're approaching your thirties, or in your thirties, we all can stand to create a better financial platform for the ones we care for the most. What financial terms do you keep in your arsenal?



Personal Finance

Budgeting for New Parents: How to Build a Budget for Your Newborn

Becoming a parent should bring excitement and joy, but a little bit of panic is normal, particularly when you think about the baby budget.

Before you learn how to build a budget and tackle other money matters related to parenting, consider this warning: Becoming a parent will keep your finances in flux for years to come. You're in for a challenging ride. Stay calm. When it comes to budgeting for parenthood, the keys are equal parts preparedness and flexibility.

Budgeting for a baby

A study found that in the first year alone, the cost of raising a baby can run upward of RM20,000 and the cost of raising a child to adulthood dwarfs that. But while your expenses will both change when you have a child, your budgeting approach doesn't have to. You're still stretching your income to cover your expenses and debts, plus savings.

If you're new to budgeting, we recommend divvying up your income with the 50/30/20 approach:

- 50% for needs such as household bills, minimum loan payments and expenses such as child care, diapers and formula.
- 30% for financial wants.
- 20% for savings and payments on toxic debts, such as payday loans and credit card balances.

This split is a goal. You may find your needs take up much more than 50% of your income — not uncommon for many middle-income families, particularly those with a child in day care — and that's OK. The point is that you're tracking your spending and aiming for improvement.

This 50/30/20 budget calculator can give you a better idea of how your current budget breaks down. Once you've established a spending baseline, track your progress from month to month.

How to build a baby budget in 4 steps

1. Determine your financial priorities

New parents are often in a rush to save for their child's education, and that's commendable. But this shouldn't come at the cost of your current and future financial security. After all, you can borrow money for college, but not for retirement.

Once you have a small amount of emergency cash to cover unexpected expenses — say RM500 — your financial priorities should be as follows:

- **Retirement savings:** To make sure you're saving enough for the future, try a retirement calculator that you can readily find online. You should ideally set aside 15% of your income.
- **Toxic debt payments:** Pay off debt that is hurting you. Balances on payday loans, credit cards and title loans, for example, cost you daily and prevent you from focusing on other financial priorities.
- **Contributions to an emergency fund:** Build your emergency fund from that RM500 seed, aiming for enough to replace several months of income.

Once you're making progress on these items, you can think about University savings strategies.

2. Practice living on less

Your income might change after having a child, even if temporarily. One parent might take some unpaid maternity or paternity leave, or one might leave work entirely.

Practice living on this lower income in the months leading up to your due date. Set aside the income of the soon-to-be stay-at-home parent to get accustomed to a smaller budget and to save for child care and other upcoming expenses.

3. Anticipate changing expenses

Formula, diapers and daycare expenses won't last forever. Those costs will fall off your budget as your child grows, and expenses like tertiary education and auto insurance will eventually take their place.

In the meantime:

Estimate the amount you'll spend in the first year. Fine-tune this amount by getting quotes from local child care centers if you plan to put your baby in daycare.

Research ways to reduce that cost:

- Compare the cost of adding a child to all working parents' health insurance plans.
- Buy second hand
- Compare prices before making a purchase

Anticipate how long these costs will last. Many costs to first-time parents are one-time expenses, including the crib and the strollers. Others continue for just a few years, such as child care until your kid goes to school.

Review upcoming expenses monthly when you sit down to pay your bills. You don't want to be unprepared, so find space in your budget as best you can in advance.

4. Prepare for when there just isn't enough

Sometimes there just isn't enough money. Cutting expenses and increasing household income are the two basic strategies for balancing your new budget, but this can be easier said than done. If you haven't already, look closely at these options:

- Find new ways to make money.
- Ask for a raise or find a better-paying job.
- Downgrade or sell a car.
- Refinance your mortgage and/or consider refinancing student loans.
- Consolidate and comparison shop for your homeowners and auto insurance.
- Eliminate unnecessary monthly subscriptions, such as streaming services or unused gym memberships.

Like some of the increases in household expenses associated with parenting, these sacrifices can be temporary, too.

5. Invest early

If you have started investing early, you would have taken advantage of compound interest and the money that you would have built up could be used for your child. If you haven't, it's never too late to start. You can start investing as low as RM10 with our BEST Invest app. When your child has reached the age of 10, you have built up 10 years of investing money. The BEST Invest app also has a goal that you can select for building up funds for your child's education. You can simply select this target when you've downloaded the app. Remember the best time to invest was 10 years ago, the second best time is today.

ESG and Shariah compliant investing: How investors invest based on their values, trying to do good for the planet and their portfolios

ESG investing is when you invest in companies based on how they perform on environmental, social, and governance criteria, not just profits, although companies who prioritise ESG factors have shown to be more resilient to shocks and could give better returns to investors in the long run.

There's a key difference between ESG funds and ordinary investment funds: ESG funds invest in companies on the basis of financial performance as well as factors such as carbon footprint, energy efficiency, diversity, fair wages, executive pay, and anti corruption.

In a research done by Arabesque Asset Management, it found that companies with robust sustainability practices demonstrate better operational performance.
The study found a remarkable correlation between diligent sustainability business practices and economic performance.

The first part of the report explores this thesis from a strategic management perspective, with remarkable results: 88% of reviewed sources find that companies with robust sustainability practices demonstrate better operational performance, which ultimately translates into cash flows.

The second part of the report builds on this, where 80% of the reviewed studies demonstrate that prudent sustainability practices have a positive influence on investment performance.

Why ESG investing is booming

Today, ESG investing is estimated at over $20 trillion in AUM[2]. ESG investing is based on the assumption that ESG factors have financial relevance, especially in today's age of rising social justice awareness, environmental concerns and good governance.

Source: https://www.arabesque.com/2020/02/04/from-the-stockholder-to-the-stakeholder/
Source: https://www.arabesque.com/2020/02/04/the-remarkable-rise-of-esg/ by Georg Kell, founder and former Executive Director of the United Nations Global Compact.

Today, ESG investing has matured to the point where it can greatly accelerate market transformation for the better. As corporations and investors experience growing influence and power, their actions and decisions increasingly shape the future.

Investors poured record amounts of money into ESG funds in 2020, to the tune of more than $45.6 billion invested in Q1 2020, according to Morningstar.

Social justice movements around the world and COVID-19 raised people's awareness of social and environmental issues. And global warming is always top of mind. Increasingly people all over the world want to find ways to make a difference through their investments.

Beyond performance, ESG investing helps people feel good about where they're putting their money.

Chairman of BIMB Investment, En. Mohamed Ridza Abdulla said the following during the launch of BIMB-Arabesque Global Shariah Sustainable Equity Fund ("BGSEF"), which is worth noting here: "What is ESG exactly ? We know it means environment , social and governance but what is the effect in ESG investing? Sustainable investing is widely understood as integrating environmental, social and governance, or in short, ESG, factors into investment processes and decision-making. ESG factors cover a broad spectrum of traditionally not financial analysis issues yet may have financial relevance.

It might include how corporations respond to climate change, how they treat their workers, how they build trust and foster innovation, and how they manage their supply chains."

On the incredible rise of ESG investing, En. Ridza had this to say: "Today, many investors have realised that embedding ESG factors in capital markets makes good business sense and leads to more sustainable markets and better societies' outcomes. Good corporate sustainable performance is associated with good corporate governance, leading to better financial results and generating better financial returns.

Source: Morningstar, May 2020

ESG and Shariah-compliant investing are our core philosophies. In light of the global pandemic, our view that COVID-19 will leave a significant impact on capital markets for years to come. It made ESG investing even more relevant for today's investors who are looking to leave a positive impact on the planet at large.”

It bears repeating that ESG investing is first and foremost an investment, and that entails naturally, financial performance of companies. But it doesn’t mean that one has to leave their values at the door. Investors can also have this alignment with where they like to see the world be.

ESG investing involves balancing your vision for the world with your vision for your portfolio.

Shariah compliant investing

Investors have started realizing the wider purpose their savings can serve. They require transparency on the manner their money is managed, the types of businesses (and behaviors) they support and the impact they have in society. Money managers now need to answer three questions: how much return, how much risk and, importantly, how was the return generated. For this reason, shariah compliant investing has been gaining traction among investors.

The most widely known aspect of shariah-based investing is the prohibition on interest, security lending and short selling. The strategy also employs a negative screening process when dealing with industries such as tobacco, alcohol and breweries, weapons and armaments as well as other non-halal products.

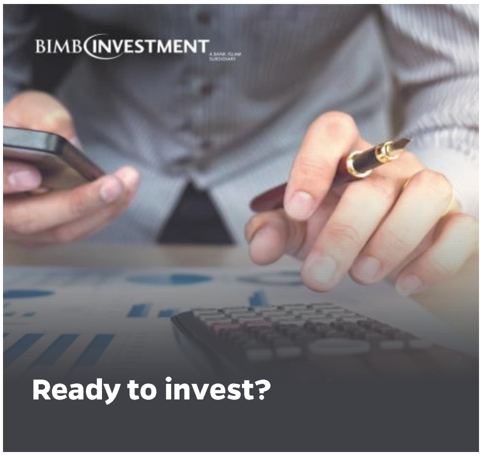
Shariah compliant investing can be helpful in the current economic crisis; for example, good financial prudence like low debt level will help the company survive the crisis.

Most ESG and Shariah investments tend to overlap, helping strengthen the case for sustainable responsible Islamic investing.

Integrating ESG factors with Islamic finance practices is therefore consistent with the fundamental principles of shariah and encourages investors to pursue sustainable risk-adjusted investment returns

How to balance your ethical and financial goals

It’s up to you to make sure your investments align with your ethics, financial goals, and risk tolerance. ESG and Shariah compliant investing has made this easier by aligning principles and values into where we invest our money.



To get to know more about ESG and shariah compliant funds, you can read up on all of it here: https://bimbinvestment.com.my/for-investors/

Before investing in an ESG fund, we encourage you to research its ethical and investment objectives.At the end of the day, ESG investments are still investments, and diversification is key.

Likewise, if your goal is to make a positive impact, it pays to diversify your good deeds. ESG and Shariah compliant investing is just one of many ways to try to make a difference in the world.

How to start investing with BIMB Investment?

- You may visit any nearest Bank Islam branches;
- Invest through our official Unit Trust Consultants; and

Johor Bahru	No 33B, Jalan Indah 15/2, Taman Bukit Indah, 79100 Nusajaya, Johor.	Tel : 07 -239 5608 Fax : 07 - 239 5609
Kelantan	PT 433 & 434, Level 2, Jalan Padang Garong, 15000 Kota Bharu, Kelantan.	Tel : 09 - 7406118 / 012 - 908 7785
Qfalah Agency, Melaka	Level 1, Taman Masjid Tanah Ria Utama, 78300 Masjid Tanah, Melaka.	Tel : 06 - 385 1076

- You may also invest in the fund by downloading BIMB Investment's BEST Invest app on Apple AppStore or Google PlayStore. With the app, you can invest from as low as RM10.

Disclaimer:
In relation to any specific BIMB Investment unit trust fund(s) mentioned above, investors are advised to read and understand the contents of the Prospectus or Information Memorandum, its supplemental (if any) and the Product Highlights Sheet (PHS) before investing, which have been lodged with the Securities Commission Malaysia (SC) who takes no responsibility for its contents. A copy of the Prospectus / Information Memorandum and PHS can be obtained from the Head Office of BIMB Investment Management Berhad, www.bimbinvestment.com.my, any of our authorised unit trust consultants, distributors and/or any Bank Islam branches. The SC's authorization or the lodgement of the Prospectus should not be taken to indicate that the SC has recommended the Fund. There are fees and charges involved and investors are advised to compare and consider them before investing in the Fund. Investments in the Fund are exposed to risk, please refer to the Prospectus / Information Memorandum for detailed information. Investors are advised to consider the risks in the Fund and should make their own risk assessment and seek professional advice, where necessary, prior to investing. Investors should also note that the price of units and distribution payables, if any, may go down as well as up and past performance of the Fund should not be taken as indicative of its future performance. Any issue of units to which the Prospectus / Information Memorandum relates will only be made upon receipt of the completed application form referred to in and accompanying the Prospectus / Information Memorandum, subject to the terms and conditions therein.

If you have any questions or feedback on future topics that you would like us to cover, do email us at marketing.bimbinvest@bankislam.com.my

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About BIMB Investment Management Berhad

BIMB Investment Management Berhad ("BIMB Investment") is a leading Shariah-ESG investment management company in Malaysia. A wholly-owned subsidiary of Bank Islam Malaysia Berhad, BIMB Investment is a licensed Islamic fund management company registered with Securities Commission Malaysia. Incorporated on 14 September 1993 and commenced its operations on 20 June 1994, BIMB Investment is headquartered in Malaysia.

BIMB Investment has been awarded Best Islamic Asset and Fund Manager in Malaysia 2017, 2018, 2019, 2020 & 2021 by Alpha South East Asia, a regional investment and finance publication, and ESG Asset Manager of the year 2019 & 2020 by The Asset Triple A Islamic Finance.