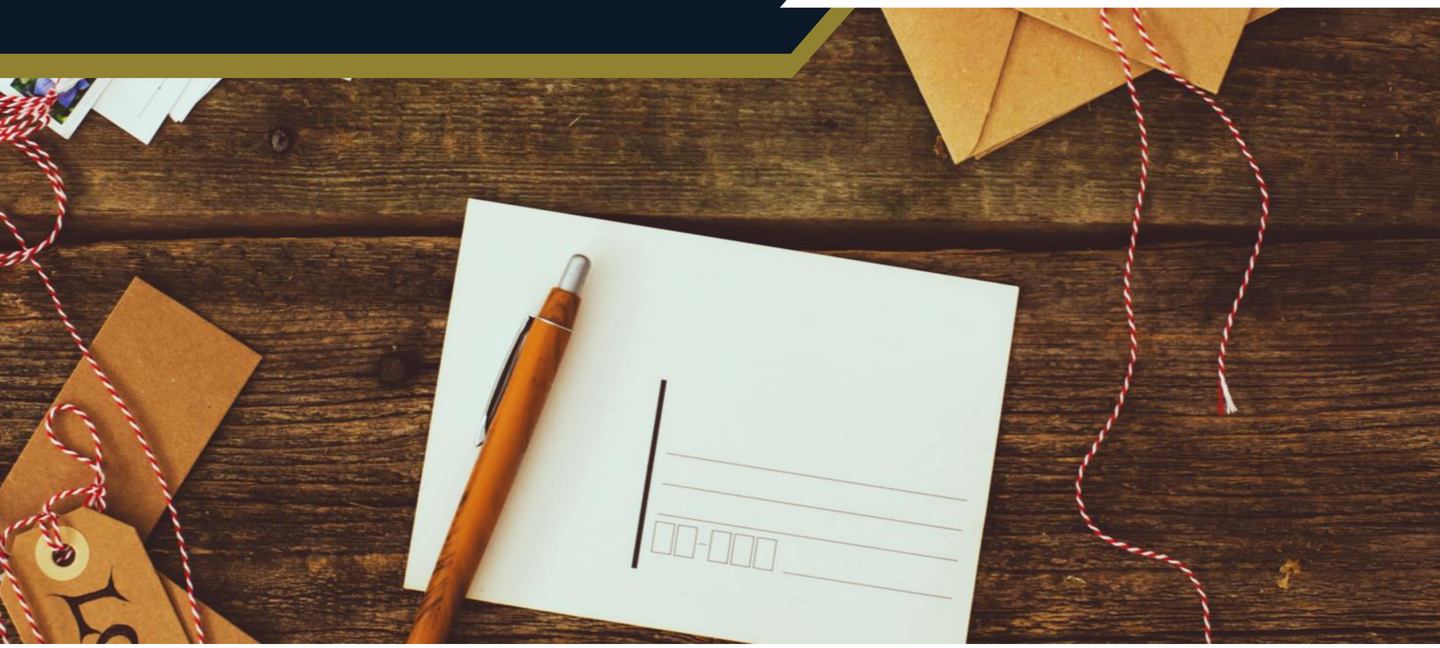
NEWSLETTER

September 2021

BIMB INVESTMENT
A BANK ISLAM SUBSIDIARY



WHAT'S INSIDE OUR LATEST ISSUE

MALAYSIA PRIHATIN

''Happy 64th Independence Day Malaysia!''

– *31st Aug* –

Dear Investors,

We are happy to share our latest newsletter with you.

We hope that you are staying safe throughout this pandemic. Although additional social and economic sectors have now opened for states under phase one and two of the National Recovery Programme (NRP), it is important for us to always adhere to the standard operating procedures (SOP).

Get vaccinated, wear a mask, keep your physical distance from others when outside, avoid crowded places, wash your hands often and monitor your health daily.

Insights and Updates

''Merdeka! Merdeka! Merdeka!'' This year's National Day celebration theme is *''*Malaysia Prihatin'' (Malaysia Cares) which is the same as last year's. It emphasizes the spirit of patriotism, unity and love for the country.

In this newsletter, we share insights on how to invest in challenging times under the Personal Finance section.

Our second article is a brief explanation on ESG funds. BIMB Investment offers 5 Shariah-ESG funds across multiple asset classes with investments in Global, Asia Pacific, Malaysia and Global Sukuk market.

In our previous issue, we briefly explained ''TAAT'' and how important it is to the Bank Islam group, as well as its' subsidiaries. Here is BIMB Investment's CEO's thoughts on one of the values; **(T) Think Customer**:
''TAAT Values are fundamentals to Bank Islam's success in achieving its vision, mission and goals. When we talk about the value of Think Customer, customers, clients and investors are always our main focus and priority. We have the fiduciary duties to protect the interests of our customers and investors. It is crucial that we are honest and transparent in providing all information to investors. It is also very important that we understand our investors' risk appetite and ensure that we conduct products suitability assessment and provide accurate investment advice.'' – Najmuddin Mohd Lutfi

On 18 August 2021, BIMB Investment's Head of Investment, Abd Razak Salimin was given the opportunity to talk at the FEM International Mobility Student Webinar Event on Wealth Management – Shariah ESG Investing and BEST Invest app. The theme of this Program is "The Emergence of Islamic Financial Technology". It was a collaborative event between Universiti Sains Islam Malaysia (USIM), Universiti Putra Malaysia (UPM), Universitas Islam Indonesia (UII), Universitas Muhammadiyah Yogyakarta (UMY) & Universitas Darussalam Gontor (UNIDA GONTOR).

BIMB Investment's BEST Invest app was recently awarded *Best Fintech Robo Mobile App (Malaysia)* at The Asset Triple A Islamic Finance Awards 2021

Personal Finance

How To Invest In Challenging Times

PREPARING FOR A CRASH

Understanding that a crash could happen in the future means you can plan for it today. Here's a five-step guide for investing in challenging times.

- Trust in diversification: Smooth the trip through a tumultuous market.
- Remember your risk appetite: Keep today's storm in context.
- Buy the dip: Gather cash and ease back into the market.
- Get a second opinion: Don't let self-doubt sabotage your financial plans.

TRUST IN DIVERSIFICATION

If you've gone with a "set it and forget it" strategy — like investing in a target-date retirement fund, or opting for the "Do-it-for-me" function through our BEST Invest app— diversification already is built in. In this case, it's best to sit tight and trust that your portfolio is ready to ride out the storm. You'll still experience some painful short-term jolts, but this will help you avoid losses from which your portfolio can't recover.

REMEMBER YOUR APPETITE FOR RISK

Investing in the stock market is inherently risky, but what makes for winning long-term returns is the ability to ride out the unpleasantness and remain invested for the eventual recovery (which, historically speaking, is always on the horizon). You'll be able to do that if you know how much volatility you're willing to stomach in exchange for higher potential returns.

GET A SECOND OPINION

Even the most confident saver-investor can fall victim to harmful short-term thinking. Consider hiring a financial advisor to kick the tires on your portfolio and provide an independent perspective on your financial plan. In fact, it's not uncommon for financial planners to have their own financial planner on their personal payroll for the same reason. An added bonus is knowing there's someone to call to talk you through the tough times.

BE READY TO BUY THE DIP

Market dips are when fortunes can be made. The trick is to be ready for the fall and willing to commit some cash to snap up investments whose prices are dropping. You probably won't catch the stock at its low, but that's fine. The point is to be opportunistic on investments you think have good long-term potential.

What You Should Know About ESG Funds

You've probably heard of ESG investing and how COVID-19 has accelerated the trend. ESG stands for environmental, social, and governance. In a nutshell, ESG investment encompasses any form of investment in companies with a good track record in environmentally conscious business operations, producing socially responsible products and services, and good governance at the workplace.

Most investors are aware that investment funds are evaluated based on their financial value. However, in the case of ESG funds, several aspects such as a safe and fair work environment, eco-friendly corporate practices, and an overall ethical business operations are given the utmost importance. Hence, ESG investing does not cover companies that are in the business of alcohol, tobacco, gambling, arms and ammunition, regardless of how profitable they are.

Before you start your ESG investment journey, here are 4 things that you should know:

1. ESG funds address the climate change issue

Rapid development has definitely made our lives better and more comfortable. Unfortunately, it has also come at the cost of doing massive damage to the environment. Whether we realise it or not, our traditional investing habits have contributed to this climate change by funding companies that negatively impact the planet.

When you invest in the stock of a company, you become a participant in its growth. If a company indulges in practices that harm the planet, you too, become a part of the problem. The same can be said for companies that follow unfair workplace protocols, such as low wages, long work hours, lack of gender equality, and ethnic diversity.

However, there are organizations that are working towards the improvement of society or are not leaving a negative impact on society or the environment at large. When you invest in funds from these companies, you promote their growth. ESG factors are becoming more mainstream as they positively impact people and our environment. From an investment perspective, ESG factors provide understanding on ways companies are managed and their future financial prospects. Investment decisions are further improved with ESG data and information.

Signatory of:

PRI Principles for Responsible Investment

BIMB Investment is the only bank-backed Islamic Asset Manager in Malaysia and Southeast Asia to be a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI).

Through UNPRI, BIMB Investment is committed to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns which ultimately shape a sustainable future.

2. ESG funds are as profitable as traditional investments

The common myth surrounding ESG funds is that they are like charity and do not generate attractive returns. However, ESG funds are similar to other investments where the focus on returns is as high as it is on sustainable investments.

According to an article from The Edge, “A quick check on the fund fact sheets shows that the ESG-themed funds in Malaysia shows that most have outperformed their benchmark indices since inception or in the past year. The new funds launched since last year do not have results over a significant period of time.”

The growing numbers are a clear indication of how these funds are no more only reserved as a way to pay back the planet. Instead, they are great products that offer high returns and can suit any investor and find a place in their portfolio.

3. Sustainability can be measured

Sustainable investing refers to strategies that consider financial analyses alongside ESG investing. It quantifies how a company is managed and the manner with which it conducts its business. Research[1] has shown that companies with robust sustainability practices demonstrate better operational performance. The research 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.

arabesque s-ray

BIMB Investment for example, utilises Arabesque S-Ray®, a unique tool that provides data solutions across global capital markets to assess companies' sustainability performance worldwide. The proprietary technology developed by Arabesque S-Ray systematically combines over 200 ESG metrics with news signals from over 30,000 sources across 170 countries. Built by investors for investors, S-Ray® is a unique tool to rate companies on the United Nations Global Compact (UNGC).

Technology has long been a key driver behind the sustainability movement by improving resource efficiency and facilitating the search for new business models. For investors, technology which is often based on machine learning and artificial intelligence ("AI"), has become the bedrock of ESG investing, enabling greater transparency and quantifying the performance of non-traditional factors that impact long-term financial performance.

Sumber: https://www.arabesque.com/2020/02/04/from-the-stockholder-to-the-stakeholder/

4. ESG and Shariah compliant investing have similar objectives

ESG investing and shariah-compliant investing share similar objectives in that they promote stewardship and societal value creation. 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.

ESG investing, on the other hand, uses positive screening as a means of selecting the best performing companies, which set a positive example of dealing in environmentally friendly products and engaging in socially responsible business practices. Thus, ESG analysis looks at more intricate issues to mitigate risks and enhance long-term returns.

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.

To sum it up

Sustainable investing has grown dramatically in recent years and COVID-19 has accelerated the trend even further. In 2020 when the pandemic unfolded, investments in ESG funds continued with USD45.6 billion invested[2] in Q1 2020.

To sum up, here **3 main points** to take note:

1. **Shariah-ESG Investing is here to stay:** Shariah-ESG Investing is responsible investing that has a positive impact on people's lives and the planet . It is aligned with maqasid shariah

2. **Technology will empower Shariah ESG Investing:** With AI and Big Data technology, ESG data are quantitatively measured for objective assessment.

3. **Remove reputational risk without compromising returns:** Shariah-ESG are non financial information that are integrated in shariah investing 2.0 for sustainable risk adjusted returns. It focuses on long term investing and has a diversified portfolio based on risk appetite.

The COVID-19 pandemic has been extraordinary in countless ways. Beyond the deeply felt strains on health and humanity, it is an economic and social issue with generational consequences. There are many benefits of investing in ESG funds, and it offers you the peace of mind and a do-good factor that you are contributing to enhancing and bettering the world.

Source: Morningstar,May,2020

BIMB Investment's ESG Funds

Global Shariah-ESG

- BIMB-Arabesque Global Shariah-ESG Sustainable Equity Fund
- BIMB-Arabesque *i* Global Dividend Fund 1

Asia Pacific Shariah-ESG

- BIMB-Arabesque Asia Pacific Shariah-ESG Equity Fund

Malaysia Shariah-ESG

- BIMB-Arabesque Malaysia Shariah-ESG Equity Fund

Global Shariah-ESG Sukuk

- BIMB ESG Sukuk Fund

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.

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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