



TABUNG HAJI
حي على الفلاح

Hajj & Fund Management

International Webinar

Implementation of Hajj by OIC Countries: Rules, Regulations & Practices

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Chief Investment Officer, Lembaga Tabung Haji
Malaysia

29th JULY 2020

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-  **Overview of LTH**
-  **Overview of LTH investment**
-  **Market views & Challenges**



MANDATES & KEY STRATEGIC ROLES



MANDATES

Accountable for paving strategic directions of **TH**'s revenue drivers under **Fund Administration** pillar

INVESTMENT

REAL ESTATE

CORPORATE FINANCE

TREASURY



KEY STRATEGIC ROLES

- To generate sustainable and stable returns within defined risk appetite
- To optimize **TH** investment value through long term and short term investment
- To explore into new opportunistic investment and growth potentials
- To manage overall performance and achievements of Strategic Asset Allocation (SAA);

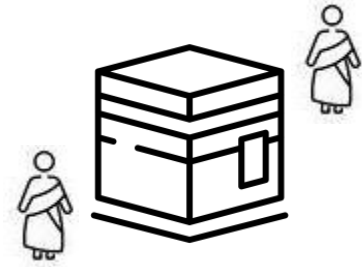


TH INVESTMENT DYNAMIC



FUND ADMINISTRATION

INVESTMENT RETURN

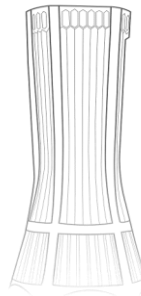


OPTIMAL FUND SIZE

HAJJ SUPPORT

SUSTAINABLE
PROFIT
DISTRIBUTION

OPERATIONAL
& COST
EFFICIENCY

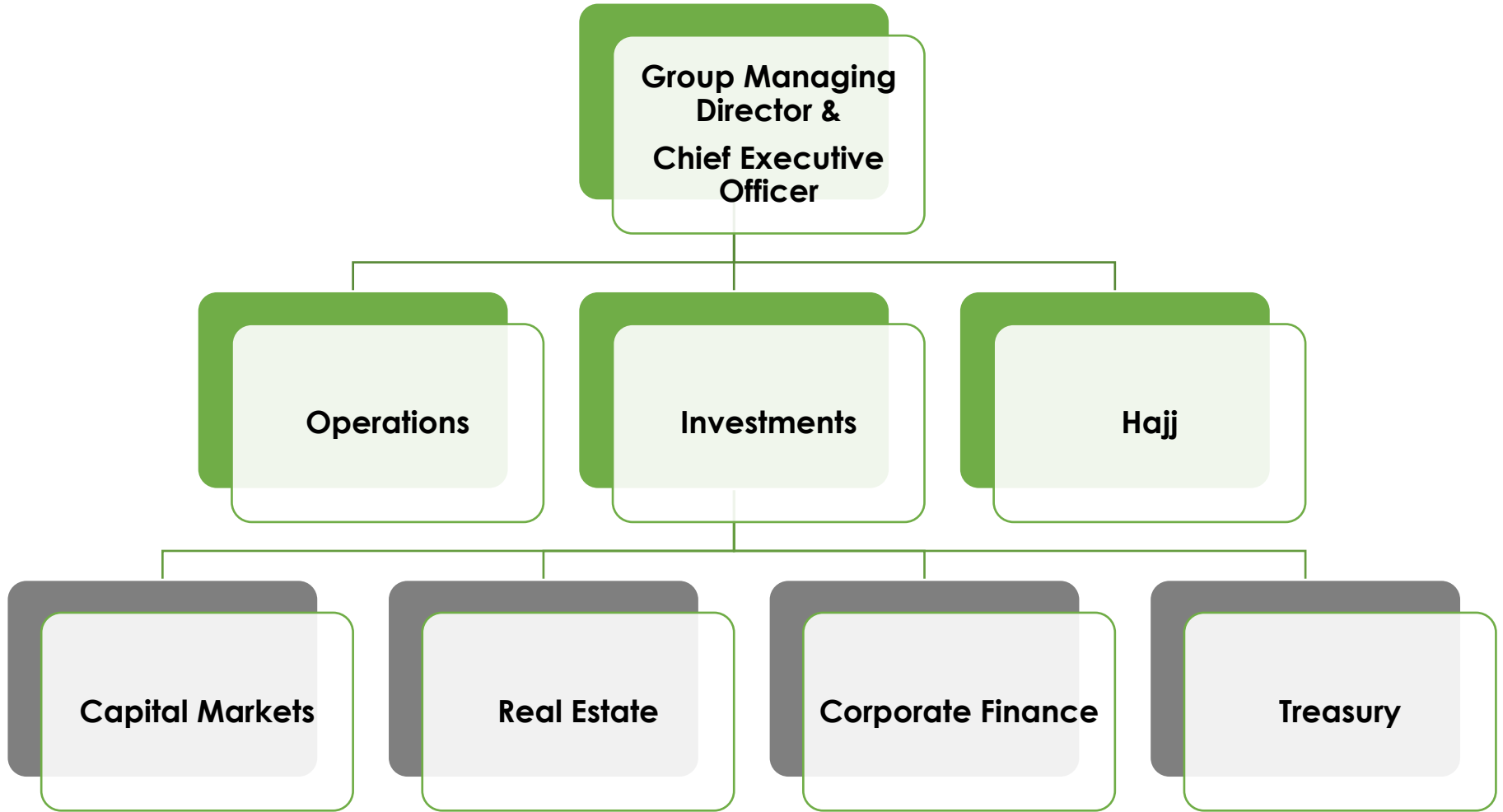


HAJJ
FINANCIAL
ASSISTANCE

HAJJ
SERVICE
EXCELLENCE

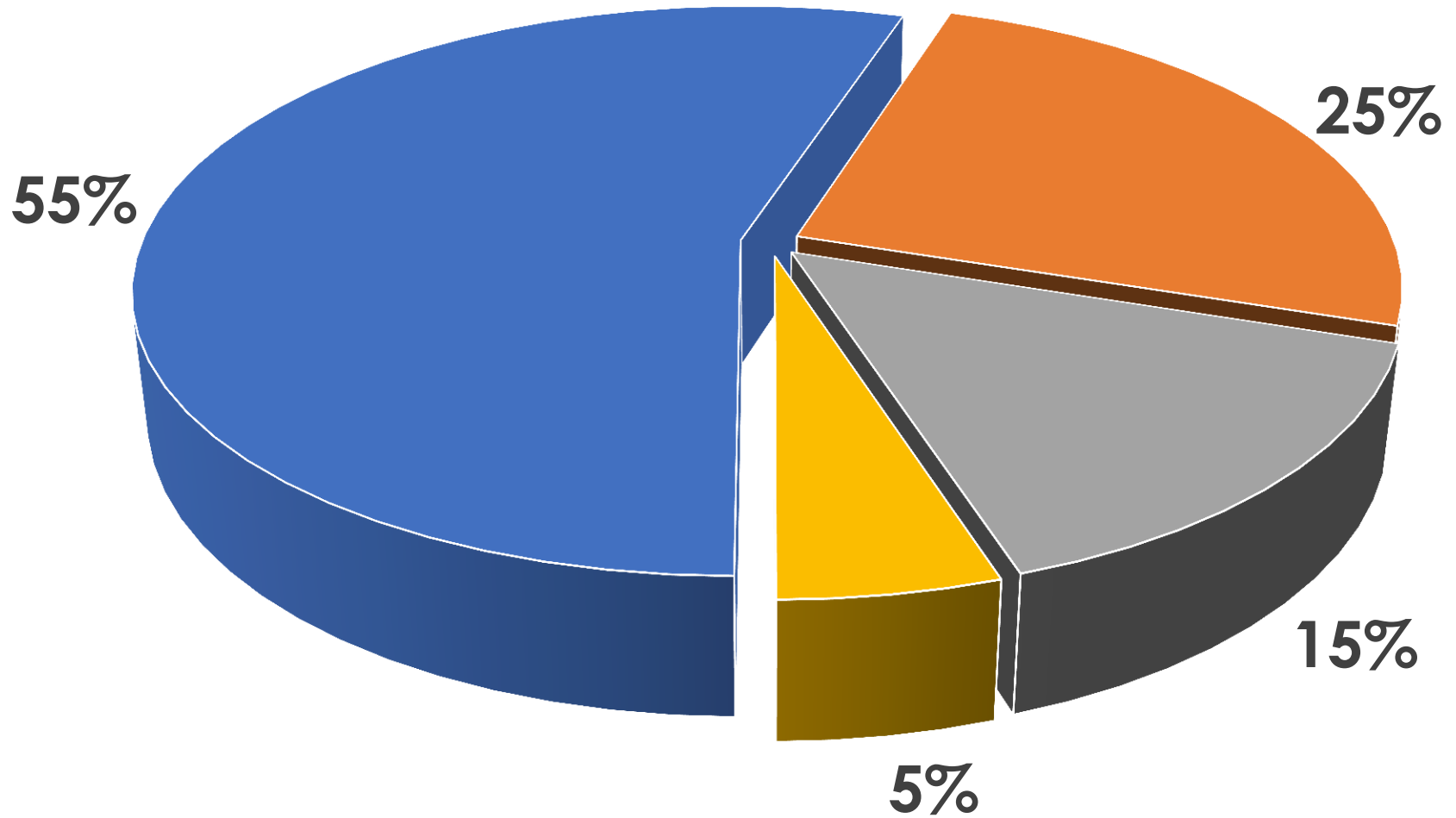


CORPORATE STRUCTURE





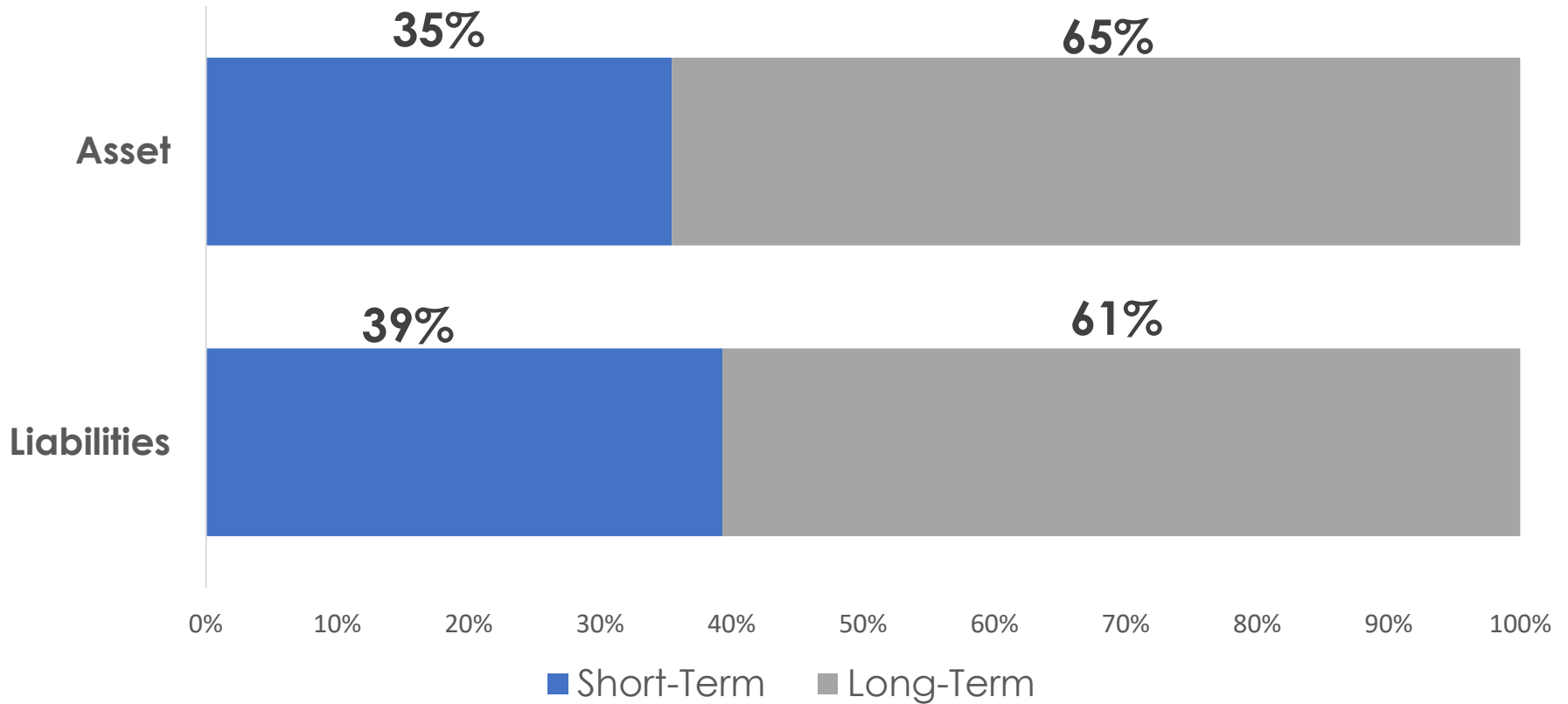
STRATEGIC ASSET ALLOCATION



■ Fixed Income ■ Equity ■ Real Estate ■ Money Market



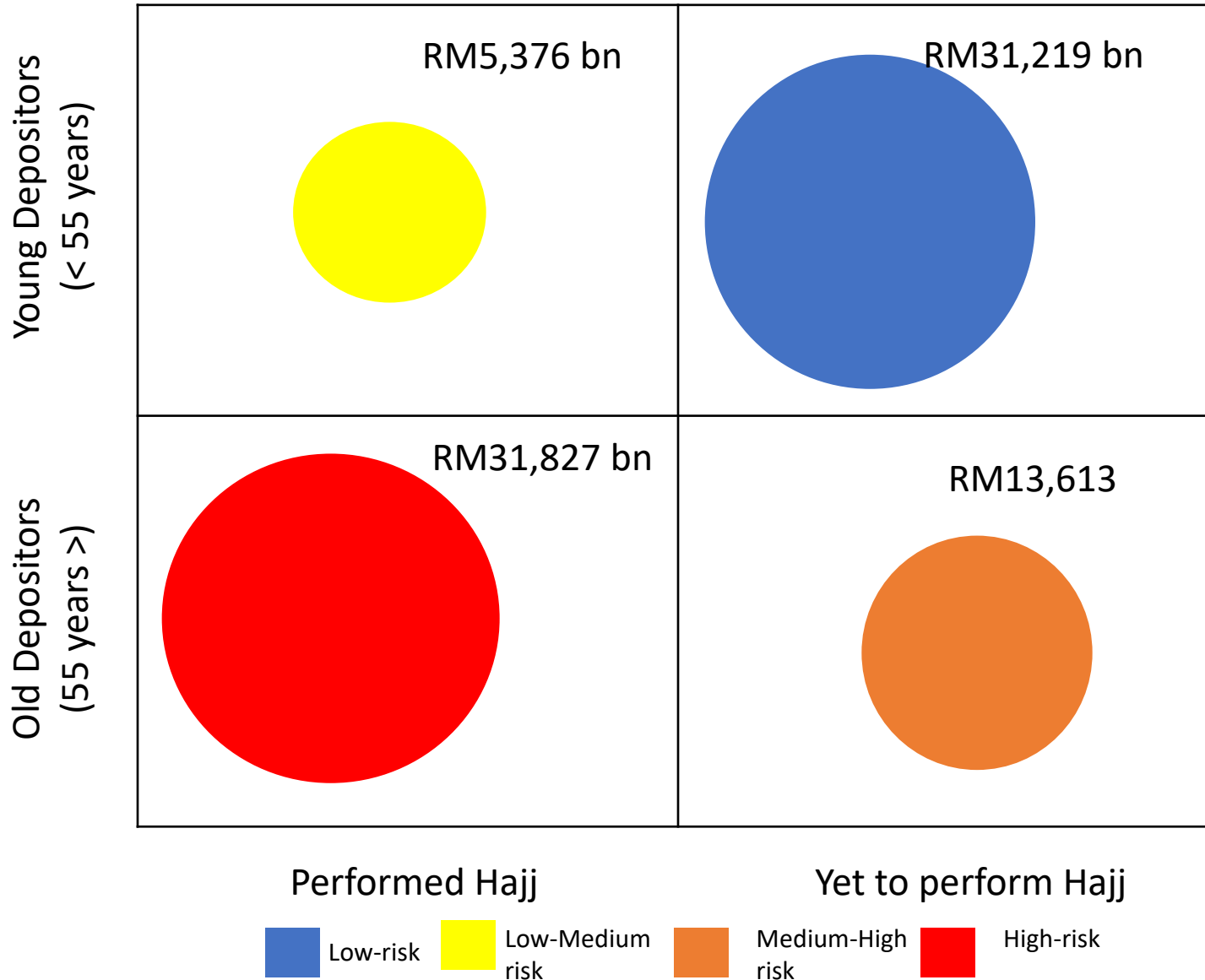
MATCHING ASSET AND LIABILITIES



	Short-term	Long-term
Asset	Money market, Equities	Fixed income, properties
Liabilities	Performed Hajj	Yet to perform Hajj



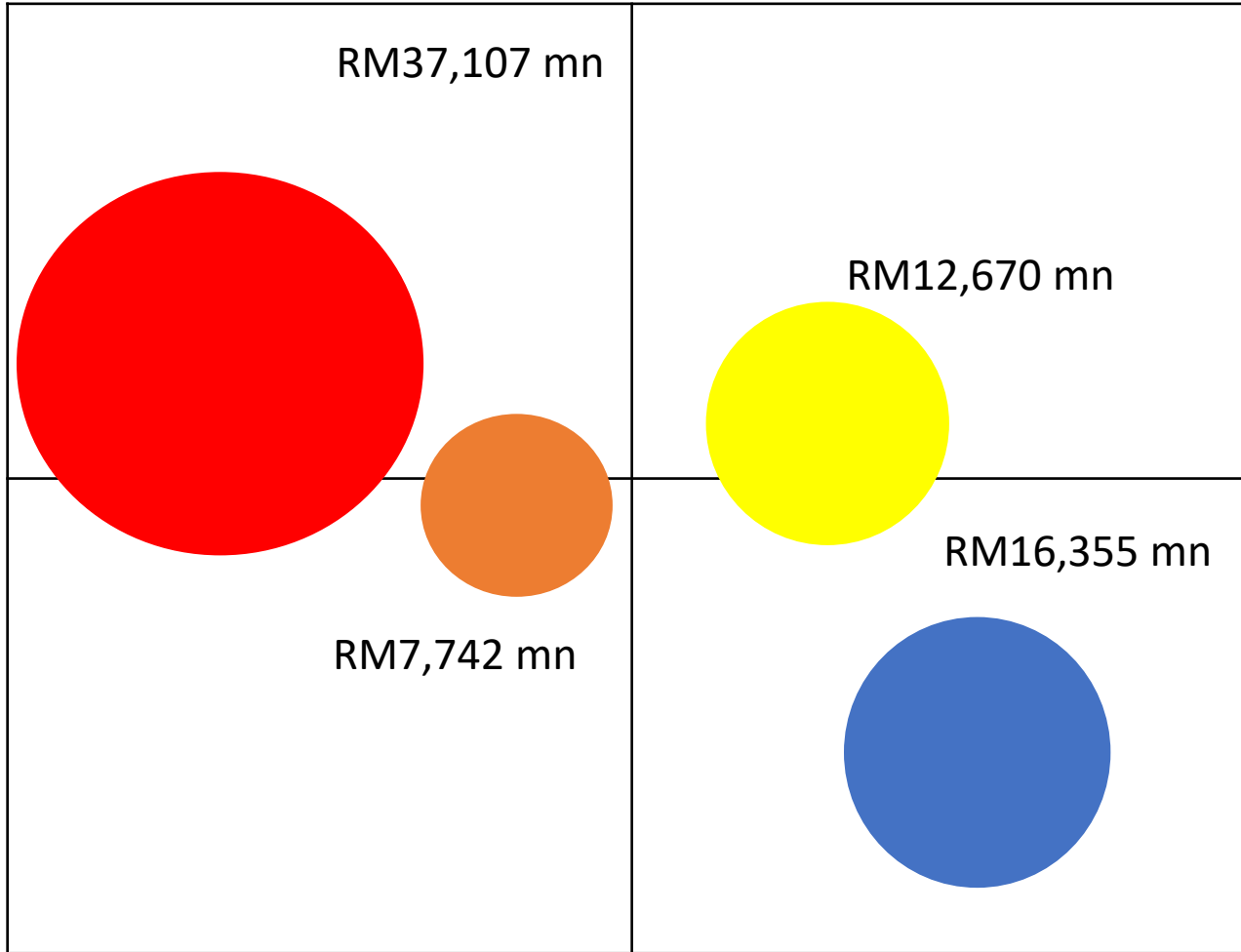
LIABILITY PROFILE





LIABILITY PROFILE

High Risk (Hot Money)
Low Risk (Sticky Money)



“Hot Money”

- High exposure to withdrawal post-Hajj performance

“Sticky Money”

- Obligated to save minimum deposit to perform Hajj

Performed Hajj

Yet to perform Hajj



Low-risk



Low-Medium risk



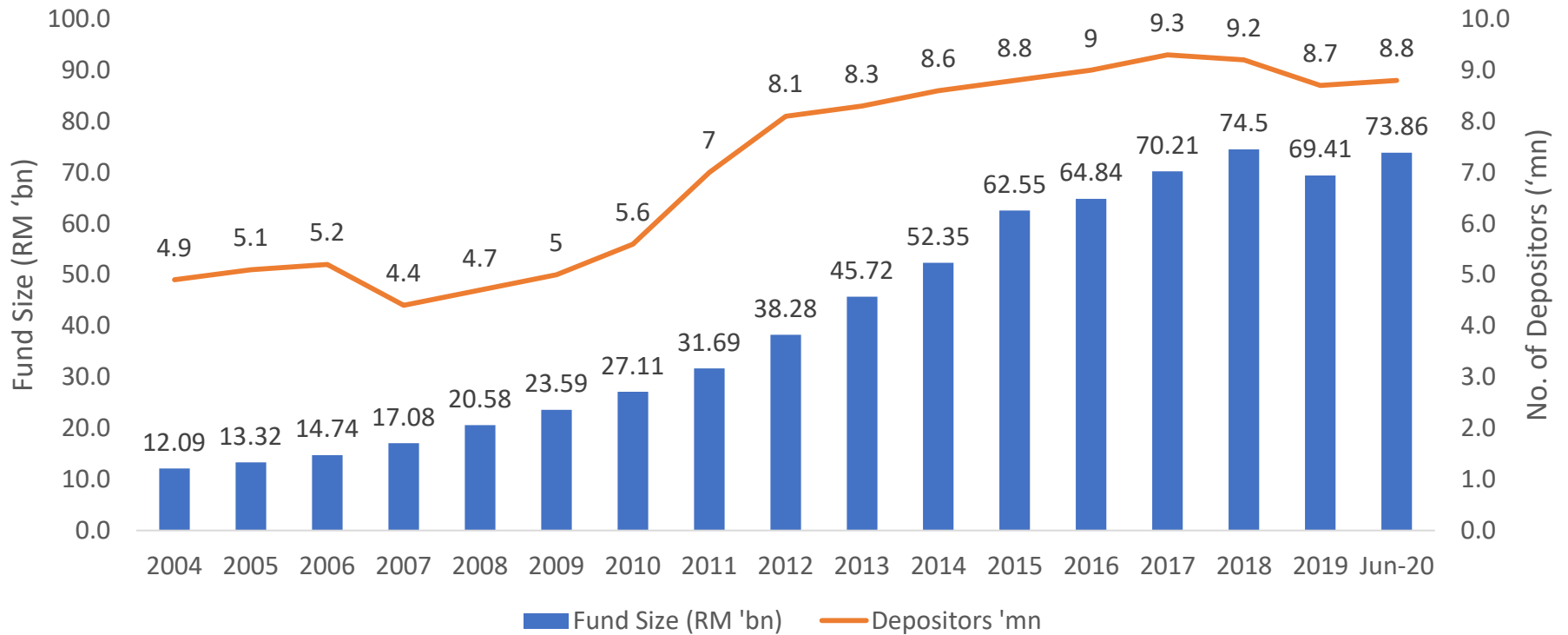
Medium-High risk



High-risk



Yearly Net Savings Balance





MARKET DATA

MSCI ACWI Islamic

USD 17 tn

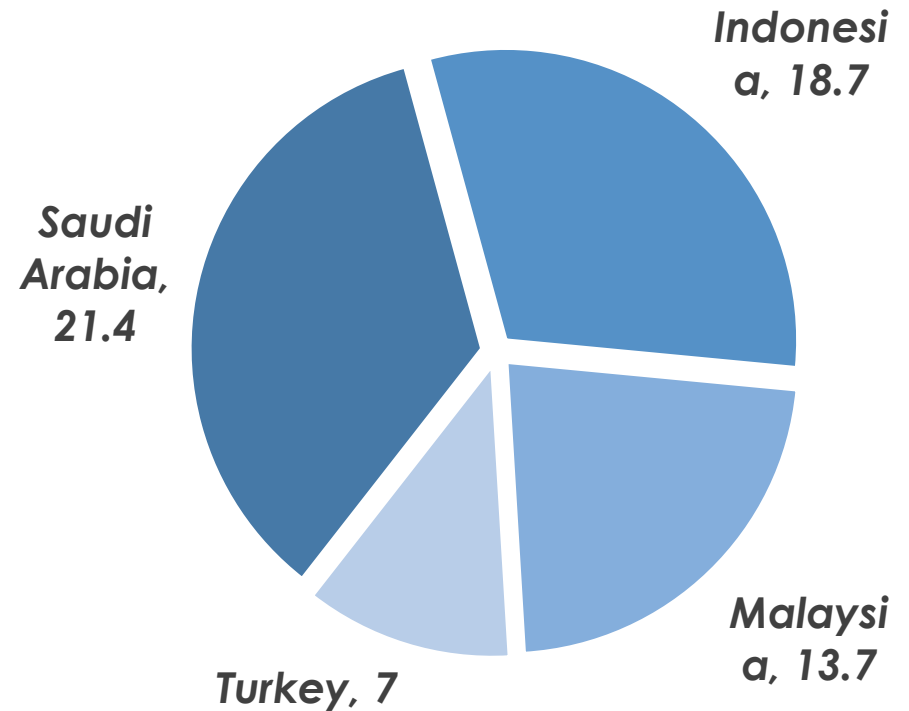
MSCI APAC Islamic

USD 4 tn

Global sukuk issuance 2019

USD 130 bn

Global Sukuk Market Cap (\$ 'bn)





Global Breaking News!



"Nasdaq hit above 10,000 points"



"US unemployment highest in history, 30mn jobless"



"Apple market cap hit more than \$1.5tn!"



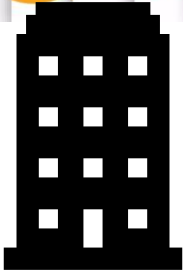
"Australia in its first recession in 29 years as March GDP shrinks"



USA's annual money growth exceeds 25%, the highest in modern peacetime history (May 2020)



"Indonesia's inflation cools to 20-year low in May 2020, as expected"



\$4.78 tn

Asean-5



\$2.1 tn



"It will never be enough for markets. Benefit will be overestimated. We are encouraging risk-taking... that should give us a pause. Investors understand that we will be there to prevent serious losses. We're blowing a fixed income bubble."

- Jerome Powell, former FOMC member



Malaysian Breaking News!



*“Bursa Malaysia volume > 11bn
(18 May)”*



*“Malaysian unemployment rate
spiked to 5% (vs GFC 4%)”*



*“Malaysia’s Industrial Product Index dropped
sharply to -32% in April, steepest drop in IPI
since 1985”*



*“Retail participation at record high!
(RM3.1bn)”*

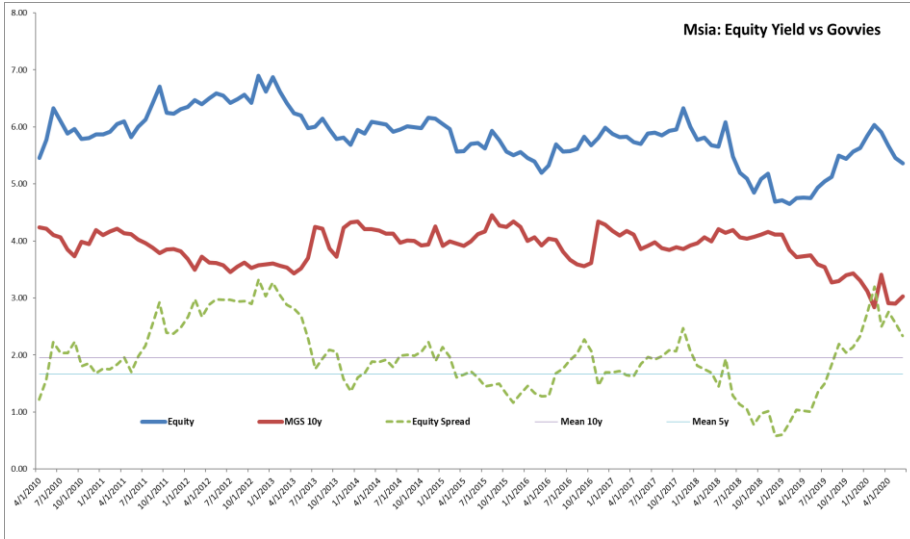


*“foreign shareholding the
lowest 21.6% in April 2020
(vs GFC 20.8%)”*



Profit rate (yield) are reaching super-low level... So which asset to invest?

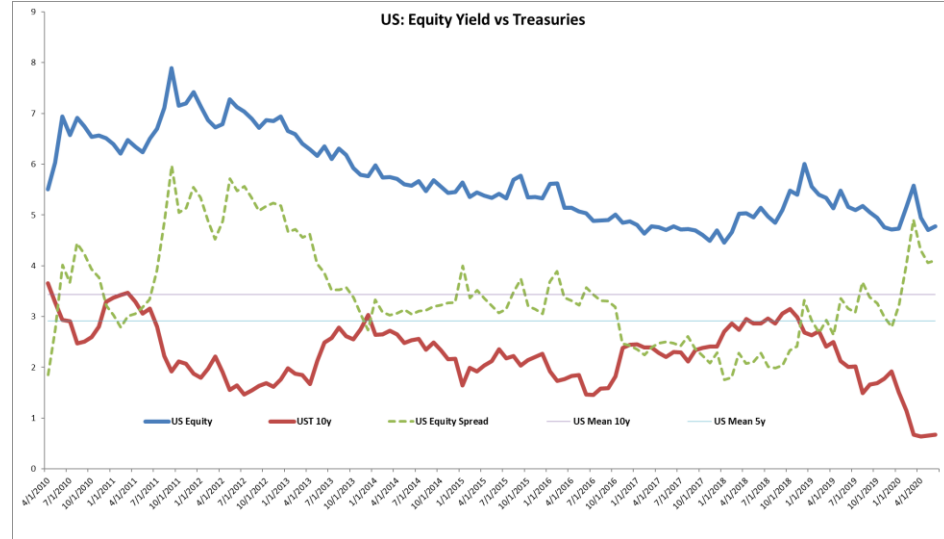
Malaysia



The **differences** between equity profit rate and bond profit rate is getting bigger with current level 3.84%, **higher** than 2011 – 2012 levels (~3%). Year 2008 recorded the highest difference at 6.84%.

Bond profit rates are **getting lower** due to Overnight Policy Rate (OPR) cuts by Bank Negara Malaysia since 2019.

US

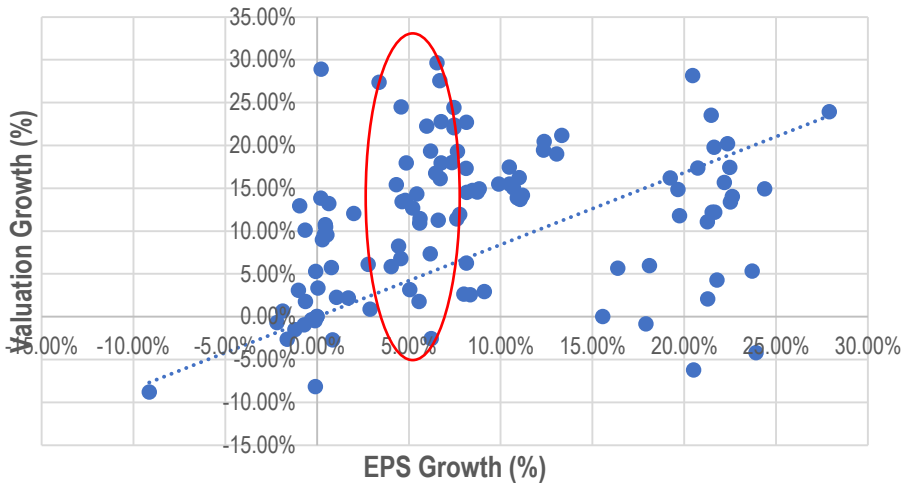


Similar situation is happening in the US where the equity and bond profit rates difference is at 5.64%, **higher** than 2009 level (5.27%).

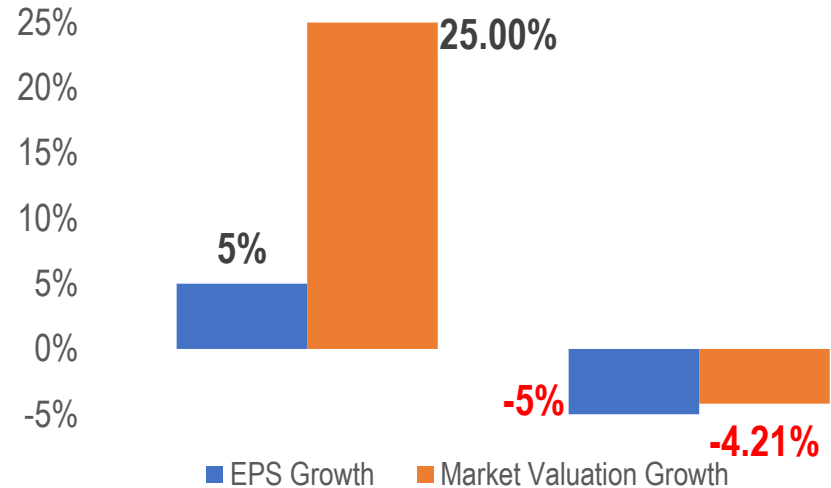


Revenue (Earnings) growth vs market price (valuation) growth (S&P500)

EPS Growth vs Valuation Growth



EPS Growth vs Valuation Growth (S&P500)



In the US market

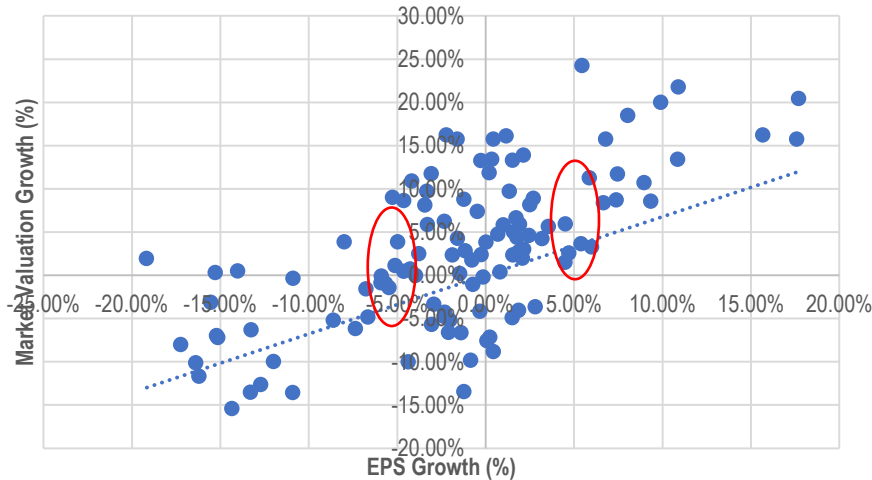
- A **positive** annual EPS growth of 5% is estimated to **increase** market price of S&P500 up to 25%.
- A **negative** annual EPS growth of 5% is estimated to **decrease** market price of S&P500 by -4% (on average).

S&P500 market price is highly sensitive due to efficient market norm in the US.

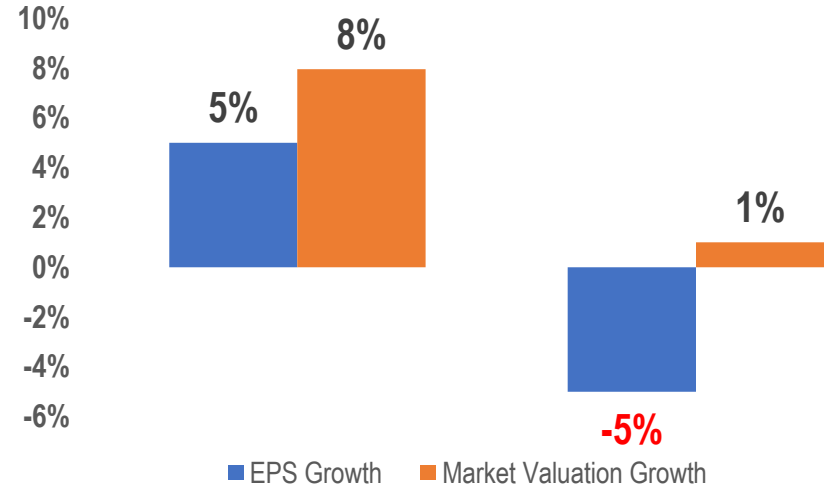


Revenue (earnings) growth vs market price (valuation) growth (FBM Shariah)

EPS Growth vs Market Valuation Growth (FBM Shariah)



EPS Growth vs Market Valuation Growth (FBM Shariah)



In the Malaysian market,

- A **positive** annual EPS growth of 5% is estimated to **increase** market price of FBM Shariah up to 8%.
- However, a **negative** annual EPS growth of 5% is not enough to **decrease** market price of FBM Shariah. The market is still growing on average of 1%.

Malaysian market is still supported by institutions, hence the downside is not truly reflective.



TERIMA KASIH
