

Ride on the Success of Founder-Led Shariah-Compliant Companies with **Public e-Islamic Pioneer Entrepreneur 40 Fund**



Some of the world's most innovative and successful companies have one thing in common – they are run by their founders. Besides having more experience in running the company, a corporate founder usually has a clear vision of the company's future and a greater desire to build a successful company that lasts.

Investors seeking to tap into the long-term growth potential of founder-led Shariah-compliant companies may consider investing in Public e-Islamic Pioneer Entrepreneur 40 Fund (PeIPE40F). Positioned as a global Islamic equity fund, PeIPE40F will invest up to a maximum of 40 stocks primarily in a portfolio of Shariah-compliant pioneer entrepreneur stocks, which refer to Shariah-compliant stocks of companies whereby the founder of the company is part of the company's management team and/or sits on the company's board of directors at the point of purchase. Apart from that, up to 20% of the Fund's net asset value (NAV) may be invested in other Shariah-compliant stocks listed on the global markets.

To achieve capital growth, the Fund will invest 75% to 98% of its NAV in Shariah-compliant equities globally, with the balance invested in sukuk and Islamic liquid assets.

As PeIPE40F focuses its investments in a portfolio of up to 40 stocks, this allows the Fund to take concentrated positions on selected key stocks with solid fundamentals and strong earnings growth potential.

PeIPE40F, which is offered under the Public e-Series of Shariah-based Funds, also provides investors with the convenience of making their investments through the Public Mutual Online (PMO) platform with a minimum initial investment amount of RM100.

Founder-Led Firms a Major Force in Reshaping the Corporate World

Led by the digital era as well as structural changes in the consumer and corporate environments, numerous start-ups and entrepreneurs have sprung up over the last few decades. Despite changing economic and market conditions over time, some of these firms continue to do well and have grown to become market leaders within their industries, mainly due to their ability to adapt to change as well as their strong drive to innovate / invent to deliver products and services that cater to the market's changing needs.

Some of the characteristics commonly shared among founder-led companies which may contribute to their entrepreneurial successes include:



Better innovation – As founders are generally more involved in their businesses, companies led by founders tend to be more innovative and willing to invest for the longer term. A U.S. study also shows that founder-led companies tend to create more patents compared to firms managed by professional chief executive officers (CEOs)¹.



Greater adaptability – The entrepreneurial and innovative nature that many founders possess better positions their companies to act quickly and adapt to an ever-changing business climate. The nimbleness of founder-led firms allows them to make tough decisions to build business resilience during economic downturns, while also enabling them to rapidly scale up to capitalise on the improving prospects during economic recoveries.



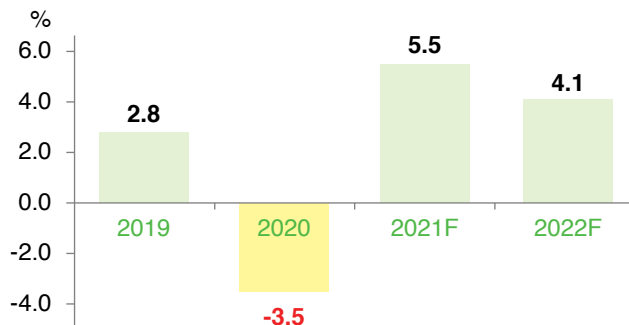
Long-term sustainability – Founders typically have a vested interest in the long-term success of their companies. Hence, they tend to focus on long-term plans to ensure the sustainability of the company, rather than short-term financial gains. As most of them own stakes within their respective companies, founders are also more inclined to align their interests with those of shareholders.

Improved Outlook for the Global Economy

Following a contraction of 3.5%² in 2020 due to Covid-19 related shutdowns and social distancing measures, the global economy is projected to rebound by 5.5%² in 2021 and further expand by 4.1%² in 2022, driven by the rollout of Covid-19 vaccinations worldwide as well as continued global policy responses to revive consumer and investment spending, including the U.S.' latest US\$1.9 trillion stimulus package.

Looking ahead, global trade and consumption are on track for a recovery amid easing movement restrictions and the stronger manufacturing & services activities of major economies. Global trade activities may also be bolstered by progress in trade negotiations between the U.S. and China.

Figure 1: Global GDP Growth Trend



Source: Bloomberg consensus

Sectors of Focus for PeIPE40F's Equity Portfolio

PeIPE40F may target to invest in Shariah-compliant stocks of founder-led companies listed on the global markets that offer attractive growth prospects and resilient earnings profiles within sectors such as technology and consumer as well as selected cyclical industries.



Technology – As the technology sector tends to require high levels of innovation, this bodes well for founder-led tech companies. The Fund may look to invest in founder-led tech companies which are poised to ride on the long-term structural trends of 5G, artificial intelligence, autonomous driving and cloud computing.



Consumer – The restarting of businesses and a rebound in consumer spending will help underpin the performance of quality consumer companies, especially those which are quick to identify and capitalise on opportunities arising from the structural changes in consumption patterns triggered by the current pandemic. As founder-led companies are mostly younger start-ups, they also tend to be first-movers with a better understanding of consumer preferences and trends.



Cyclicals – The anticipated recovery in the global economy post-pandemic is expected to benefit cyclical sectors such as industrials, manufacturing, automotive and tourism. As founder-led companies within these sectors may adapt better during differing phases of the business cycle, they are likely to be well-positioned to capitalise on the pent-up demand and ride on the growth prospects of an economic upcycle.

The Fund's Benchmark

PeIPE40F's benchmark is a composite index comprising 50% S&P United States LargeCap Shariah Index, 30% customised index by S&P Dow Jones Indices, LLC based on top 100 constituents by market capitalisation of the S&P Shariah BMI Asia Ex-Japan Index, 10% customised index by S&P Dow Jones Indices, LLC based on top 20 constituents by market capitalisation of the S&P BMI Shariah Japan Index and 10% 1-Month Islamic Interbank Money Market Rate.

For the 5-year period ended 15 March 2021, the benchmark generated a total return of +104.42% or +15.36% on an annualised basis. The historical returns of the benchmark are stated in Table 1 below.

Table 1: Historical Returns of PeIPE40F's Benchmark

| Benchmark | Performance in MYR (%)* | | |
|-------------------|-------------------------|--------|--------|
| | 1-Year | 3-Year | 5-Year |
| Total Return | 46.17 | 54.12 | 104.42 |
| Annualised Return | 46.17 | 15.49 | 15.36 |

Source: Lipper, S&P Dow Jones Indices, LLC & Bank Negara Malaysia

Note: Past performance of the benchmark is not a reliable indicator of the fund's future performance

¹ Lee, Joon Mahn and Kim, Jongsoo and Bae, Joonhyung, Founder CEOs and Innovation: Evidence from S&P 500 Firms (February 17, 2016)

² Bloomberg consensus

* Data as at 15 March 2021

Investors are advised to read and understand the contents of the Prospectus of Public e-Islamic Pioneer Entrepreneur 40 Fund dated 21 April 2021 and the fund's Product Highlights Sheet (PHS) before investing. Investors should understand the risks of the fund and compare and consider the fees, charges and costs involved in investing in the fund. A copy of the Prospectus and PHS can be viewed at our website www.publicmutual.com.my. Investors should make their own assessment of the merits and risks of the investment. If in doubt, investors should seek for professional advice. Please refer to www.publicmutual.com.my for our investment disclaimer.