

HLMT i-BALANCED FUND

Oct 2023

Fund Features

1. Investment Objective

The objective of HLMT i-BALANCED FUND ("The Fund") is to achieve regular income as well as medium to long-term capital growth through a diversified investment portfolio containing equity and sukuk.

2. Investment Strategy & Approach

The Fund seeks to maximize total returns by providing investors with a combination of capital appreciation and income distribution while reducing risk through diversified investments in equity and sukuk.

3. Asset Allocation

The indicative asset allocation for The Fund is to invest a minimum of 30% of its net asset value ("NAV") in sukuk, Islamic money market instruments and liquid assets. Generally, the Fund may invest up to 70% of its NAV in equities.

4. Target Market

This fund is suitable for who are looking for a mixture of safety, income and modest capital appreciation with moderate to high risk tolerance and medium to long term investment horizon.

Fund Details

| | |
|-----------------------------|--------------------------------------|
| Unit Price (31/10/2023) | RM 1.4581 |
| Fund Size (31/10/2023) | RM 10.5 mil |
| Fund Management Fee | 1.25% p.a |
| Fund Manager | Hong Leong Assurance Berhad |
| Fund Category | Balanced |
| Fund Inception | April 2007 |
| Benchmark | 50% FBM Emas Shariah Index + 50% GIA |
| Frequency of Unit Valuation | Daily |

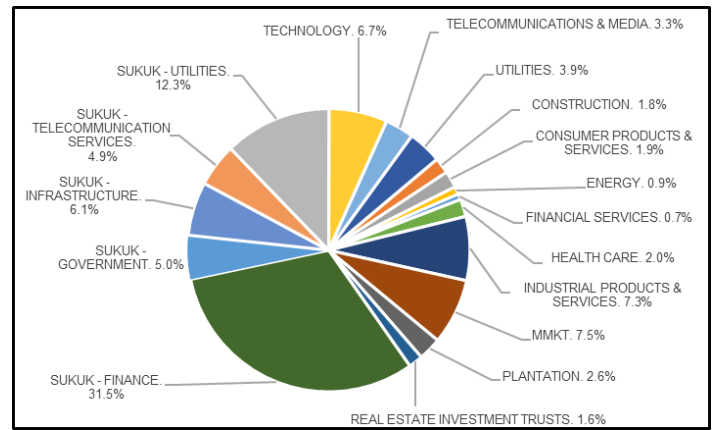
*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx

Asset Allocation as at 31 Oct 2023

| | |
|-----------------------------------|---------------|
| Shariah-compliant Equities | 32.7% |
| Sukuk | 59.8% |
| Islamic Deposit & Cash Equivalent | 7.5% |
| Total | 100.0% |

Sector Allocation as at 31 Oct 2023



Top 5 Holdings as at 31 Oct 2023

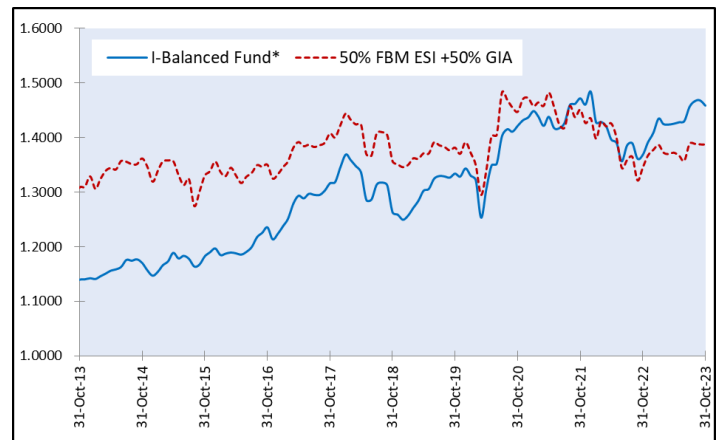
Shariah-compliant Equities

| | | |
|---|----------------------------|------|
| 1 | Tenaga Nasional Berhad | 2.9% |
| 2 | IHH Healthcare Berhad | 1.4% |
| 3 | Gamuda Berhad | 1.2% |
| 4 | Telekom Malaysia Berhad | 1.2% |
| 5 | Kuala Lumpur Kepong Berhad | 1.1% |

Sukuk

| | | |
|---|--|------|
| 1 | Public Islamic Bank Berhad 17.12.2027 | 9.7% |
| 2 | Malaysia Rail Link Sdn Bhd 23.07.2041 | 6.1% |
| 3 | Sarawak Energy Berhad 25.04.2036 | 5.1% |
| 4 | Projek Lebuhraya Usahasama Bhd 12.01.2038 | 5.0% |
| 5 | Digi Telecommunications Sdn Bhd 02.12.2027 | 4.9% |

Historical Performance



| | 1 Month | YTD | 1 Year | 3 Year | 5 Year | Since Inception |
|-------------------|---------|-------|--------|--------|--------|-----------------|
| i-Balanced | -0.65% | 3.57% | 6.58% | 2.60% | 15.47% | 45.81% |
| Benchmark* | -0.02% | 0.72% | 3.13% | -4.16% | 2.25% | 38.70% |
| Relative | -0.63% | 2.85% | 3.45% | 6.76% | 13.22% | 7.11% |

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

During the month, global equities retraced for a third consecutive month as profit taking continued on the back of higher-for-longer interest rates rhetoric as well as escalating geopolitical tensions from the Israel-Hamas war. US economic data continued to show strength as witnessed by its 3Q23 GDP growth of +4.9% as compared to 2Q23 GDP growth of +2.1%. US Sep CPI came in at +3.7% yoy, same as the previous month. US Sep composite PMI was also unchanged m-o-m at 50.2 driven by improving manufacturing PMI, offsetting weaker services PMI. Similar to its global counterparts, China equities market also fell for a third consecutive month due to heightened worries revolving around its property sector and local government financing vehicle troubles. In a bid to bolster its economy, the China government approved a RMB1 trillion issuance of sovereign bonds while raising its budget deficit ratio to about 3.8% of GDP, above the 3.0% set in March 2023. Brent oil reversed a 4-month uptrend to record a decline of -8.3% m-o-m in October to USD87.42/bbl as fears of the Israel-Hamas war escalating to neighboring countries abated.

Domestically, it was a month of heavier news flow with the unveiling of Budget 2024, Malaysia-Singapore Leaders Retreat, and the election of Sultan Ibrahim of Johor as the 17th Agong. Amongst other measures, Malaysia Budget 2024 saw an uplift of service tax from 6% to 8%, targeted reduction in subsidies by around 25% between 2022 and 2024, and reduction in overall fiscal deficit from around 5% of GDP in 2023 to around 4.3% in 2024. As for the Malaysia-Singapore Leaders Retreat, focus was on improving cross-border connectivity between Malaysia and Singapore, a review of air traffic services over southern Johor that was delegated to Singapore 49 years ago, and conducting a feasibility study on the special economic zones between both countries.

Average daily trading value fell to RM1.98b in October as compared to RM2.38b a month ago. Foreign investors turned net sellers for the month of October by -RM2.2b, expanding YTD foreign equity outflow to -RM4.1b. Economically, Malaysia's 3Q23 GDP came in at +3.3% yoy as compared to +2.9% yoy in the previous quarter. August industrial production contracted by -0.3% yoy as compared to a growth of +0.7% yoy in July. September CPI was slightly lower at 1.9% yoy as compared to 2.0% yoy in August. In October, the FBM Shariah declined by -0.30% m-o-m compared to the FBM KLCI which outperformed global markets with a positive return of +1.26% m-o-m to close at 1,442.1 points. The other benchmarks, namely, FBM Emas and FBMSC registered a +0.53% m-o-m and -2.01% m-o-m respectively.

Globally, investors will continue to assess the strength of the global economy especially on consumers' consumption strength, as a gauge of future interest rate direction. Geopolitically, focus will be on any potential escalation or containment of the Israel-Hamas war. As for HK/ China markets, market will be on the lookout for additional supportive measures or the effects of the recently announced RMB1 trillion bond stimulus from the China government. Domestically, attention would be focused on the implementation of announced initiatives and its impact towards our economy. We remain defensive, investing in value, growth and dividend-yielding names. Sectors that we continue to favour include selected recovery names (travel and selective commodities), utilities (defensive with yield) and 5G/ technology (trade diversion).

Sukuk Market

In the month of October, Malaysia's government sukuk (govvies) gapped lower, mirroring the movement in US Treasuries as the yield curve shifted higher by 7-19bps across various tenures. Following from the announcement of Budget 2024, local market reaction was tepid as most measures were within expectations. Also, the RM85.4 billion fiscal deficit target for 2024 and govvies maturity of RM93 billion should bring govvies issuance in the range of RM170-RM180 billion (2023E: RM186 billion). At the end of

October, the 3-, 5-, 10-, and 30-year GII settled at 3.699% (+12bps), 3.883% (+7bps), 4.094 (+8bps), and 4.661% (+17bps), respectively.

In the corporate sukuks/bonds segment, some prominent new issuances during the month were Affin Islamic Bank Berhad (RM500 million, A1), Affin Islamic Bank Berhad (RM500 million, A3), Imtiaz Sukuk II Berhad (RM1 billion, AA2), Pengurusan Air Selangor Sdn Berhad (RM1 billion, AAA), CIMB Bank Berhad (RM 900 million, AA2), CIMB Group Holdings Berhad (RM 900 million, AA2), Public Bank Berhad (RM 1 billion, AA1), and SMJ Sdn Berhad (RM 900 million, AAA).

The UST market is anticipated to stay volatile in the near-term given the uncertain macro backdrop due to geopolitical events in the Middle East and the Federal Reserve's commitment to address inflation.

Domestically, the recent spike in local sukuk/bond yields has factored in another 25bps rate hike, amid expectations that BNM will raise rates to protect Ringgit from further depreciation. Malaysia Prime Minister Anwar, on the other hand, dismissed calls to defend the Ringgit via rate hikes. As such, from a valuation perspective, local govvies could be oversold at the current OPR level. We have been steadily expanding the portfolio through primary market and we will continue to focus on primary issuances for yield pickup.

Actual Annual Investment Return based on Published Price for the Past Five (5) Calendar Years

| Year | Net Annual Returns |
|------|--------------------|
| 2018 | -7.16% |
| 2019 | 7.52% |
| 2020 | 6.96% |
| 2021 | 3.28% |
| 2022 | -5.10% |

Notice: Past performance of the fund is not an indication of its future performance.

- Actual returns in the past five years on a net basis (net of tax and charges), or since inception if shorter (warning statement: this is strictly the performance of the investment fund, and not the returns earned on the actual contributions paid of the Investment-Linked product)
- The investment returns shall be calculated based on the unit price of the Investment-Linked fund and the formula shall be consistent with that of the benchmark indices.
- Any performance comparison of an Investment-Linked fund must be with that of a similar fund, in terms of investment objectives and focus and based on similar time frame of at least 12 months.

Investment Risks

All investments carry risks. Investors must be prepared to accept a certain degree of risk when investing in this Fund. The following are some but not an exhaustive list of all the potential risks associated with this Investment.

1. Market Risk

Due to price fluctuations of securities invested in by the funds, the value of the investment may go up as well as down. The movement in securities prices is influenced by a number of factors, which include changes in economic, political and social environment.

2. Credit Risk

Applies to debt-type investments such as debentures and sukuk. The institution invested in may not be able to make the required profit payments or repayment of principal.

3. Profit Rate Risk

Applied to sukuk, security prices move in the opposite direction of profit rates. If profit rates rise and the security prices fall, this will lower the value of your investment and vice versa.

4. Liquidity Risk

Defined as the ease with which a security can be sold at or near its fair value. This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, such action itself may significantly depress the selling price.

Basis of Unit Valuation

1. The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
2. The unit price of a unit of a fund shall be determined by the Company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
3. The maximum value of any asset of any fund shall not exceed the following price:
 - a. The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - b. In the case of securities for which market values are not readily available, the price at which, in our Investment Manager’s opinion, the asset may have been purchased on the business day before the valuation date; plus any expenses which would have been incurred in its acquisition.
4. To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the net asset value per unit

Exceptional Circumstances

The Takaful Operator reserves the right to defer the payment of benefits (other than death benefit) under this Certificate for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Takaful Operator, in its discretion, may consider exceptional.

Basis of Calculation of Past Performance

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others

HLMT i-Balanced Fund is managed by Hong Leong Assurance Berhad. Any amount invested in this fund is invested by Hong Leong Assurance Berhad on behalf of Participant in shariah compliant equity, sukuk, collective investment scheme and money market instrument/s. If the financial institutions and/or corporations issuing the equity, sukuk, collective investment scheme and money market instruments defaults or insolvent, the Participant risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by Hong Leong Assurance Berhad.

THIS IS A TAKAFUL PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.

Disclaimer:

You must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Participant to better understand the fund features.