

HLMT i-BALANCED FUND

July 2022

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.

Asset	Ranges
Shariah-Compliant Equities	0%-70%
Sukuk/cash	30%-100%

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.

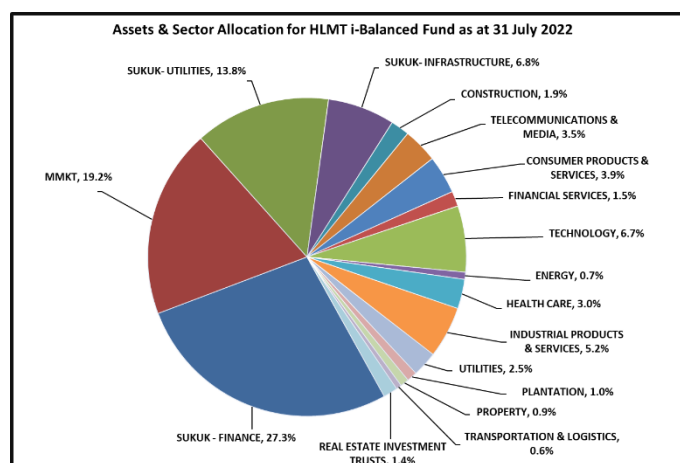
Fund Details

Unit Price (31/07/2022)	RM 1.3853
Fund Size (31/07/2022)	RM 9.3mil
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

Assets & Sector Allocation as at 31 July 2022



Top 5 Holdings as at 31 July 2022

Equity

1	INARI AMERTRON BERHAD	2%
2	IHH HEALTHCARE BERHAD	2%
3	TENAGA NASIONAL BERHAD	1%
4	TELEKOM MALAYSIA BERHAD	1%
5	SAM ENGINEERING & EQUIPMENT (M) BERHAD	1%

Sukuk

1	MALAYSIA RAIL LINK SDN BERHAD 23.07.2041	7%
2	SARAWAK ENERGY BERHAD 25.04.2036	6%
3	MALAYAN BANKING BERHAD 31.01.2031	5%
4	AMISLAMIC BANK BERHAD 18.10.2028	5%
5	SARAWAK HIDRO SDN BHD 11.08.2025	5%

Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
i-Balanced	2.15%	-6.63%	-2.87%	4.23%	7.00%	38.53%
Benchmark*	1.04%	-5.32%	-4.20%	-1.96%	-1.74%	35.85%
Relative	1.11%	-1.31%	1.33%	6.19%	8.74%	2.68%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Despite a backdrop of disappointing macro data which was largely due to tightening of monetary policies, global equities together with most risk assets recovered in July. The recovery was on the back of a less hawkish Fed and a relatively strong earnings season. During the month, as widely anticipated the Federal Open Market Committee (FOMC) increased the Fed Fund Rates (FFR) by 75 basis points (bps) bringing it to 2.25%-2.5% and the rate hike trajectory going forward will be data dependent. The Fed Chair also reiterated his view that rates could reach 3%-3.5% by year end. While the global economy is showing signs of slow-down and the United States (US) entered a technical recession in 2Q22 with a Gross Domestic Product (GDP) growth of -0.9% QoQ (marking two consecutive quarters of negative GDP growth), based on broad measures of economic activity there are no grounds to support a recession call. The recent retracement in commodity prices and some indicators which suggest the easing of supply chain bottlenecks are a relief for inflation pressures. Meanwhile, the HK/ China markets saw correction due to macro concerns involving property completion, rural banks, ADR listing and the US-China tariff talks. Market was also disappointed following the conclusion of the Politburo session on 28th July which did not suggest any big stimulus despite the economic slowdown.

Domestically, Bank Negara Malaysia (BNM) hiked the Overnight Policy Rate by 25bps to 2.25% in July and market now expects another 25bps in 2H22. Malaysia was also not spared by rising costs with Consumer Price Index (CPI) hitting 3.4% in June mainly caused by rising food cost. It was reported that Petronas is forecasted to contribute around RM55-59b to the government this year to help negate the higher subsidies of ~RM80b. On a positive note, we saw Indonesia lifting its restrictions on the entry of its workforce into Malaysia and to integrate the existing system between the Malaysian Immigration Department and the Indonesian Embassy in Kuala Lumpur for the recruitment of Indonesia domestic workers. Near month-end, the Dewan Rakyat also passed the proposed anti-party hopping law with more than two-thirds majority.

Average daily trading value decreased to RM1.3b in July from June's RM2.6b. Retailers turned net sellers with -RM0.1b together with local institutions -RM0.2b. Foreign institutions turned net buyers with +RM0.2b. Retailers and local institutions accounted for 25.5% and 35.7% of value traded. Foreign institutions accounted for 28.3% of value traded. FBM Shariah's +2.2% MoM underperformed the FBMKLCI's +3.3% MoM. FBM Emas and FBMSC increased by 2.9% MoM and 0.5% MoM respectively.

Going into August, investors will continue to keep a close eye on global inflation and interest rates as well as the ongoing developments of the Russia-Ukraine war. Rising US-China tensions is also a concern following US House Speaker Nancy Pelosi's visit to Taiwan, defying China's warnings of "grave consequences" for diplomatic relations. Domestically, it will also be the 2Q results season where investors will be keen to observe how corporate earnings are being affected by rising costs and supply chain disruptions, together with their forward guidance which could provide a decent respite to the ongoing uncertainties. Malaysia's 2Q22 GDP figures will also be released mid this month. We remain defensive and will maintain our barbell strategy by investing in both the value and growth sectors, together with dividend-yielding stocks. Sectors that we continue to favour selected recovery/reopening names (consumers with pricing power) and 5G/ technology (easing of supply chain bottlenecks).

Sukuk Market

In the month of July, the movement of local govvnies continued to track the trend of US Treasuries (UST). UST rates declined as concerns of an impending recession as a result of the battle against inflation heating up during the month. Meanwhile, the decline in local govvnies' yields came on the back of worries that a global economic crisis stemming from a slowdown in the US will have spill over effects and induce risk off sentiment domestically. Fundamentally, the economy has been displaying encouraging signs of growth and recovery which was accompanied by higher inflation readings. Latest retail sales data showed an improvement of 29.9% YoY while unemployment dropped to 3.9% from 4.5% a month prior. Inflation readings starting to creep up with May inflation coming in at 3.4% YoY against the 3.2% consensus figure. The central bank opted to raise interest rates by 25bps for the second time since March 2020 in response to encouraging economic growth and price pressures. The hike was widely anticipated by the market and yields broadly declined subsequent to the announcement. The Government Investment Issue (GII) yields on the 5-, 10-, 15- and 30- tenors declined MoM by 23, 27, 33, and 32 bps, respectively.

In the corporate sukuks/bonds segment, the prominent new issuances during the month were Sarawak Petchem Sdn Bhd (RM4.0 billion, AAA) and Cagamas Berhad (RM1.4 billion, AAA).

The UST is envisaged to be influenced by economic data pertaining to inflation and the overall strength of the economy. Thus, market participants will accord more credence to the possibility of a recession in light of the economy's second consecutive contraction. With this, sukuk yields will likely experience a downward trend due to risk-averse sentiments resulting from an economic slowdown.

Domestically, the GII will likely track the movement of its US counterpart. Yields would most likely trend lower on account of risk-off sentiment induced by fears that a global economic slowdown could dent domestic economic activity. On the flip side, a significant slowdown in the global economy will likely drive-up demand for safe haven assets at the expense of emerging market securities like the MGS & GII. In view of the above, we will continue to monitor economic data that could induce significant risk-off sentiment while maintaining dollar cost averaging strategy.

Actual Annual Investment Return based on published price for the Past Five (5) Calendar Years

Year	Net Annual Returns
2017	9.96%
2018	-7.16%
2019	7.52%
2020	6.96%
2021	3.28%

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.