HLMT i-INCOME FUND

June 2021

Fund Features

1. **Investment Objective**
   The objective of HLMT i-INCOME FUND ("The Fund") is to preserve capital while achieving regular income stream through an investment portfolio containing predominantly sukuk and a small proportion in equity securities.

2. **Investment Strategy & Approach**
   Investments are on Shariah-Compliant securities that offer good medium-term earnings growth.

3. **Asset Allocation**
   The indicative asset allocation for The Fund is to invest a minimum of its net asset value ("NAV") in sukuk, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to a maximum of 20% of its NAV in equities.

Asset	Ranges
Shariah-Compliant Equities	0%-20%
Sukuk/Cash	80%-100%

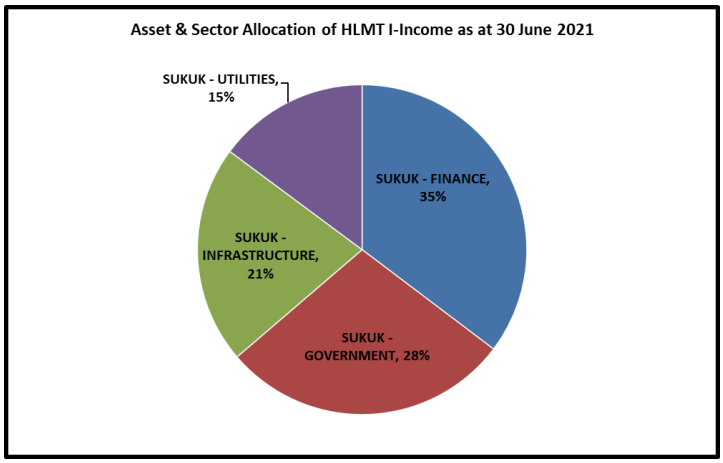
4. **Target Market**
   This fund is suitable for investors with low to moderate risk horizon and medium to long term investment horizon.

Fund Details

Unit Price (30/06/2021)	**RM 1.6393**
Fund Size (30/06/2021)	**RM 5.7mil**
Fund Management Fee	**1.00% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Sukuk**
Fund Inception	**April 2007**
Benchmark	**20% FBM Emas Shariah Index + 80% GIA**
Frequency of Unit Valuation	**Daily**

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

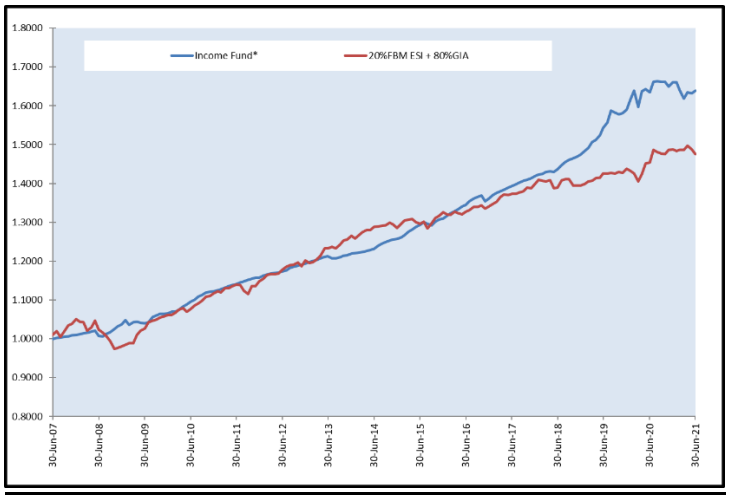
**Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx*



Top 5 Holdings as at 30 June 2021

1	RHB ISLAMIC BANK BERHAD 21.05.2029	11%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	9%
3	MALAYAN BANKING BERHAD 31.01.2031	9%
4	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	9%
5	AMISLAMIC BANK BERHAD 18.10.2028	9%

Historical Performance



	1 month	YTD	1 year	3years	5 years	since inception
i-Income	**0.42%**	**-1.26%**	**0.25%**	**14.09%**	**21.88%**	**63.93%**
Benchmark*	**-0.77%**	**-0.81%**	**1.52%**	**6.21%**	**11.20%**	**47.59%**
Relative	**1.19%**	**-0.45%**	**-1.27%**	**7.88%**	**10.68%**	**16.34%**

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

For the month of June 2021, global equities continued to edge higher driven by the United States ("US") and Europe, while Asian markets continued to underperform. The Federal Reserve ("Fed") chief reiterated that the central bank would not simply raise interest rates based only on the fear of coming inflation but will instead focus more on encouraging a broad and inclusive recovery of the job market. Vaccination rollout continues to gain momentum in the US making it the first country out the "reopening" gate. Likewise in Europe, its economy is slowly accelerating on the backdrop of reopening and progress in vaccinations. In contrast, parts of Asia that performed well in the pandemic like Singapore, Hong Kong and Australia dropped in rankings as strict border curbs remain in place and a zero-tolerance approach to small virus flare-ups limit their ability to reopen. Elsewhere within the ASEAN region, Malaysia, Thailand and Indonesia have shifted to some form of lockdown to contain new cases whilst accelerating vaccinations.

Back to Malaysia, the full Movement Control Order ("MCO") 3.0 was extended beyond 14th June 2021 dragging into July 2021 as daily new Covid-19 cases remain stubbornly high at >5k levels. The National Recovery Plan ("NRP") was also unveiled during the month and it comprised four phases of an exit strategy from the Covid-19 pandemic. Each phase will have three main threshold indicators that need to be met for progression to the next phase which are – daily cases of infection, bed utilization rates in Intensive Care Unit ("ICU") and the percentage of population having received two doses of Covid-19 vaccine injections. The government also announced further aid under the PEMULIH package worth RM150b where RM10b will be via direct fiscal injection. This will likely result in a widening of the fiscal deficit, putting further downward pressure on its sovereign ratings. Standard and Poor ("S&P") during the month affirmed Malaysia's credit rating at A- but maintained the "negative" outlook which has been in place since June 2000. There were some interesting corporate actions during the month with MMC to be privatized by Tan Sri Syed Mokhtar via a selective capital reduction ("SCR") at RM2 / share (>60% premium to the last traded price prior to the announcement), KLK will be acquiring IJM Corp's 56.2% equity stake in IJM Plant for total consideration of RM1.5b (RM3.10 / share) and Sunway successfully divested a 16% stake in Sunway Healthcare for RM750m to government investment companies (implied valuation for Sunway Healthcare was RM4.7b).

Retailers were net buyers at +RM1.7b (+USD409m) whilst local institutions were net sellers at -RM1.2b (-USD289m). Foreign institutions were net sellers at -RM1.2b (-USD289m). Retailers and local institutions accounted for 35.7% and 27.5% of value traded with foreigners the remaining 17.4%. For the month, the FBM Shariah index underperformed the broader market with a -4.7% month-on-month ("mom") return. FBMKLCI was down by 3.22% mom, FBMSC retraced by 3.6% and FBM Emas was lower by 3%.

Going forward, market will continue to be sensitive to economic data, inflation readings and the movement in bond yields. Sustained inflation beyond the near-term transitory increases and / or a sudden spike in bond yields will result in a very volatile market. Given the emergence of the Delta variant, the sustainability of the US reopening will be closely followed by market participants. In Malaysia, the Covid-19 infection trend and pace of vaccination will continue to dictate market movements. The domestic political turmoil continues as despite calls from the King to resume parliament, there has not been a firm announcement from the Prime Minister or his cabinet. The upcoming Monetary Policy Committee ("MPC") meeting will also be closely followed where given the recent turn of events, there are noises of a potential rate cut. Markets will remain volatile. We maintain our barbell strategy by investing in both the value and growth sectors, with focus still on the recovery/reopening theme, reflation beneficiaries and 5G / technology names.

Sukuk Market

In the month of June 2021, the yields of local government bond ("govvies") were largely on a declining trend. The yields on the 3-, 5-, 7- 15-, 20 and 30- years tenors declined by 6, 2, 1, 6, 3 and 8 basis points ("bps") respectively while the 10- years tenor increased by 7 bps. The rally in domestic bond was induced by risk-off sentiments arising from the Full MCO ("FMCO") in June 2021. The FMCO was envisaged to emulate the first MCO back In March 2020 which caused severe contraction in the domestic economy. While the estimated economic impact of the FMCO of RM1b daily is lower against RM2.4b arising from the first MCO, the economic impact was sufficient to promote demand of safe haven assets. May 2021 Inflation reading of 4.4% year-on-year ("yoy") which fell short of consensus estimates of 4.7% suggest that there are no real concerns of unexpected inflation just yet, keeping reflation trades in check. Additionally, buying interest was also supported by the affirmation of Malaysia's sovereign rating by Moody's and S&P during the month which to an extent staved off concerns of severe deterioration in the nation's economic fundamentals.

In the corporate bond segment, risk off sentiment increased the appeal of defensive bonds with strong credit profiles. As such, AAA and GG bonds continued to make up the bulk of daily transactions. Some prominent new issuances during the month were Cagamas Berhad (RM1.85b, AAA), Bank Pembangunan Malaysia Berhad (RM1.25b, AAA), SP Setia Berhad (RM800m, AA) Pengurusan Air Berhad (RM550m, AAA), Bank Muamalat Malaysia Berhad (RM500m, A3), and 7-Eleven Malaysia Holdings Berhad (RM500m, AA-).

The US Treasury performance over the near term will be influenced by key economic data releases which will form a basis of investors' perception on inflationary pressures be it one that is sustained or transient. The market will also be keeping a close watch on the Fed's tone as signs of a shift in its previously dovish tone at the onset of the pandemic have been made present as of late. On the supply front, progress and outcome of President Biden's USD1 trillion infrastructure plans will be monitored as the plan could be partly funded through issuances of public debt.

Locally, close attention will be paid on the MPC meeting in July 2021 given the challenges facing the economy amid growing concerns on the public health situation. Key indicators on the nations' pandemic containment measure will be monitored given that there are now clear conditions that are to be met before gradual reopening of the economy would resume. Over the near term, supply of domestic debt could increase to fund the government latest stimulus package dubbed 'PEMULIH' which includes a RM10b direct fiscal injection. Any weakness in the sukuk market will provide good opportunity for the Fund to rebuild its position for the second half of the year as we expect Overnight Policy Rate ("OPR") to remain low for a prolong period coupled with a potential rate cut within next 6 to 12 months.

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

Year	Net Annual Returns
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%
2020	4.43%

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-Income 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.