

HLMT i-INCOME FUND

June 2022

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.

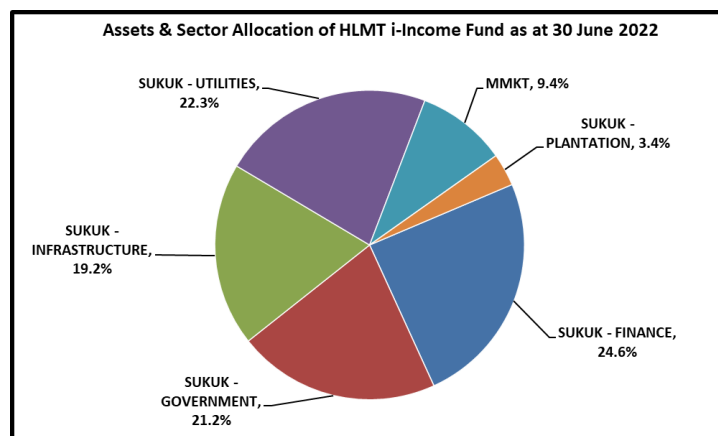
Fund Details

Unit Price (30/06/2022)	RM 1.6225
Fund Size (30/06/2022)	RM 7.1mil
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 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

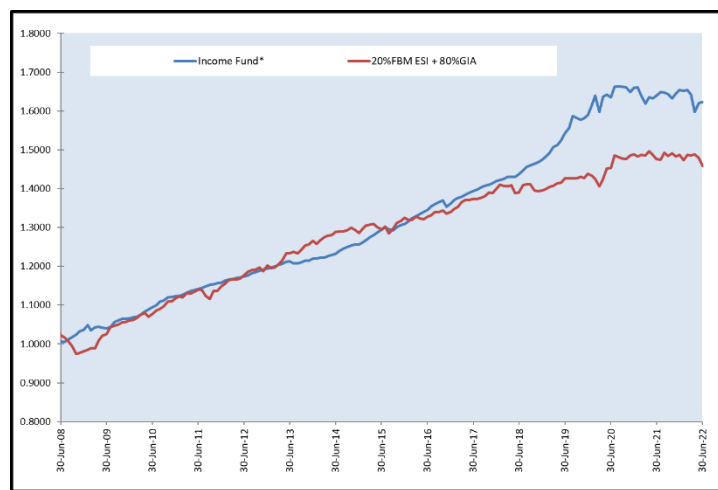
Assets & Sector Allocation as at 30 June 2022



Top 5 Holdings as at 30 June 2022

1	TNB POWER GENERATION SDN BHD	14%
2	RHB ISLAMIC BANK BERHAD	8%
3	MALAYAN BANKING BERHAD	7%
4	AMISLAMIC BANK BERHAD	7%
5	MALAYSIA INVESTMENT ISSUE	7%

Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
i-Income	0.11%	-1.90%	-1.02%	5.17%	16.76%	62.25%
Benchmark*	-1.37%	-1.92%	-1.15%	2.32%	6.45%	45.88%
Relative	1.48%	0.02%	0.13%	2.85%	10.31%	16.37%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities declined during the month due to inflation and recessionary fears. In June, the Federal Open Market Committee (FOMC) hiked rates by 75bps and the Fed Chair reiterated that commitment to reigning in inflation was “unconditional”. During the Fed Chair’s testimony to the congress, he acknowledged that a recession was possible and achieving a soft landing would be very challenging. Commodities were not spared from the correction as prices from oil to copper and wheat weakened, pricing in the probability of a recession. Whereas over in China, the sentiment was more positive on the back of easing Covid restrictions as well as more signals on possible reduction in US tariffs over China goods. In a keynote speech to the BRICs Business Forum, the Chinese President also reiterated the commitment to achieve 2022 economic targets as well as mentioned the support for internet/ platform companies.

Domestically, Malaysia was not spared from inflationary pressures due to supply chain disruptions, labour shortages and the impact of the war in Ukraine. In its effort to help temper the effects of rising prices, the government made the decision to keep Peninsular Malaysia’s electricity tariff rates unchanged for 2H22 and reinstated the ceiling price for chicken at RM9.40 per kg (from an earlier decision to remove the ceiling price of RM8.90 per kg). Due to the unanticipated subsidies for fuel, chicken and eggs and cooking oil as well as flood relief, Malaysia is expected to spend around RM77b in subsidies and cash aid for 2022. Plantation stocks corrected during the month following the collapse in CPO prices, breaching the RM5,000/MT level following Indonesia’s removal of the ban on palm oil exports. Notable corporate developments include the greenlight given by MCMC to the merger of Celcom and Digi’s operations which will create the leading telco provider in Malaysia. The Ringgit weakened further against the US\$ to end the month at 4.4085 from 4.3770 at the start of the month.

Average daily trading value increased to RM2.59b in June from May’s RM2.4b. Retailers remained net buyers with +RM0.6b and local institutions turned net buyers with +RM0.7b. Foreign institutions turned net sellers with -RM1.3b. Retailers and local institutions accounted for 23.6% and 35.4% of value traded. Foreign institutions accounted for 29.2% of value traded. The four indices continued its downtrend in June. FBM Shariah declined by 8.7% mom in June to close at 10,503.97pts. The FBMKLCI, FBM Emas and FBMSC fell by 8%, 7.6% and 8.8% mom respectively.

Going into July, market is expecting another round of 75 bps hike by the Fed. But there are also some expectations of the Fed scaling back the additional tightening from December onwards and some probability of rate cuts in 2023. As for China, investors will continue to monitor closely the progress of its reopening and potentially any further easing to both its monetary and fiscal measures. For Malaysia, the Ministry of Finance will be tabling the Fiscal Responsibility Act during the upcoming Parliament session scheduled to start on 18th July. This bill will help to boost tax collection by broadening the tax base which is crucial to replenish the nation’s coffers to finance the nation’s development and longer-term reform plans. Malaysia can also finally progress with the 5G deployment as the telco players have finally reached an agreement with state-owned Digital Nasional Bhd (DNB) before the due date on 30 Jun 22. Malaysia’s Communications and Multimedia Minister said an announcement of the deal will be made known at the early part of July, removing the overhang for the sector. We remain defensive and will maintain our barbell strategy by investing in both the value and growth sectors. Sectors that we continue to favour include selected recovery/reopening names (consumers with pricing power), 5G/ technology (easing of supply chain bottlenecks) and high dividend yielding stocks.

Sukuk Market

The govvvies yield continued to track the trend in the US and US Treasury (“UST”) rates generally were higher in June. Since Fed officials conveyed that taming inflation would be their main priority, the policy levers would be largely geared towards said goal. Locally, the yields on the 3-, 5-, 10-, 15- and 30- year GII increased m-o-m by 7, 35, 11, 18 and 1 bps, respectively. Fundamentally, the increase is also attributable to inflation expectations that have recently gained momentum. It was anticipated that the elimination of the price ceiling for chicken and eggs and the subsidy for bottled cooking oil would have a significant impact on food inflation. On a more positive note, S&P’s affirmed Malaysia’s sovereign rating with an upward revision in outlook from negative to stable in end June. The outlook revision should boost investors’ confidence and demand for government debt securities.

In the corporate sukuk segment, some prominent new issuances during the month were Johor Corporation (RM1.6 billion, AAA), TNB Power Generation Sdn Berhad (RM1.5 billion, AAA), and Pengurusan Air SPV Berhad (RM1.3 billion, AA3).

Inflation levels and the Fed’s subsequent policy action and tone will still be the main factor that will affect the UST movement. While the Fed has attempted to appease the market by suggesting that the robust labour market allows for aggressive rate hikes without triggering a recession, market participants appear to disagree, as evidenced by the recent appearance of yield curve inversions. As inflation is currently red-hot and further aggressive rate hikes will have negative effects on economic activity, it is probable that a pronounced risk aversion could drive yields lower.

S&P recently revised Malaysia’s sovereign rating from negative to stable. While this is positive for the local sukuk market, impending inflationary pressures may cause the market to react otherwise. The sukuk market appears to have priced in the aggressive stance of future monetary policy action (expectations of at least 5 rate hikes). Despite the expected rise in inflationary pressure in the second half of 2022, market may have overpriced. Thus, we will continue to closely monitor the economic data and adopt the dollar averaging strategy.

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

Year	Net Annual Returns
2017	4.25%
2018	3.88%
2019	7.81%
2020	4.43%
2021	-0.37%

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.