

HLMT i-INCOME FUND

January 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.

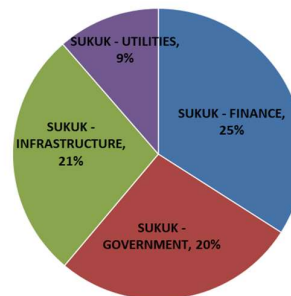
Fund Details

Unit Price (31/01/2022)	RM 1.6509
Fund Size (31/01/2022)	RM 6.8mil
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

Asset & Sector Allocation of HLMT i-Income as at 31 January 2022



Top 5 Holdings as at 31 January 2022

1	RHB ISLAMIC BANK BERHAD	9%
2	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	8%
3	MALAYSIA INVESTMENT ISSUE 04.08.2037	8%
4	MALAYAN BANKING BERHAD 31.01.2031	8%
5	AMISLAMIC BANK BERHAD 18.10.2028	7%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	-0.19%	-0.19%	-0.58%	11.32%	20.45%	65.09%
Benchmark*	-0.92%	-0.92%	-0.63%	5.39%	9.37%	47.38%
Relative	0.73%	0.73%	0.05%	5.93%	11.08%	17.71%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities in January weakened led by the decline in developed markets in the US, Europe and Japan, while ASEAN outperformed. Investors were concerned about inflation, supply chain issues and the upcoming rate hikes from the Federal Reserve. The upcoming rate hike in March would be the first in two years after the Fed drastically cut rates to zero to help the economy survive the pandemic. Consensus is also now imputing more rate hikes - with some expecting as many as five hikes for 2022. This led to a sell-off in the technology and REITs space, while banks outperformed as financial institutions are beneficiaries of higher interest rates. Chinese policymakers bucked the trend, continuing on its monetary easing mode. Just days after policymakers cut a major interest rate for central bank lending to big commercial banks, officials cut the loan prime rate (the de facto benchmark lending rate) in both the five-year and one-year terms. Geopolitics was also in focus with the ongoing tensions between Russia and Ukraine. The simmering tensions led to oil prices breaching US\$88/barrel (+17% mom) in January, a level not seen since 2014, due to supply concerns.

Domestically, the broad trend was similar to the other markets where investors rotated out from the growth/technology sectors into the value/financials/commodities space. As a result, underperformance was seen across the tech, healthcare and telco sectors while the energy and financial sectors outperformed. Bank Negara Malaysia during the month kept the Overnight Policy Rate unchanged and expects inflation to be manageable in 2022. Notable newsflow included a) Energy Commission announcing the continuation of the imbalance cost pass-through (ICPT) mechanism and implementation of the incentive based regulation for regulatory period 3 resulting in commercial and industrial customers paying the highest net tariff since the introduction of this mechanism in 2015 and b) US Customs and Border Protection (US CBP) issued a notice of finding in which it determined that Sime Plant is using forced labour at its Malaysia operations. Separately, the Johor state assembly was dissolved and this paved the way for the country's third state elections.

In January, average daily trading value and volume improved by 3% mom to RM2.1b and 13% mom to 3.34b units respectively. Local institutions turned net sellers of RM663m in January, from net buyers of RM958m in December. Foreign investors turned largest net buyers of RM332m in January after being net sellers of RM1.1b in December. Retail investors remained net buyers but the net buying fell by 73% mom to RM87m in January. The FBM Shariah underperformed the broader market with a decline of 5.7% mom. FBM KLCI, FBM Emas and FBMSC declined by 3.5% mom, 3.9% mom and 1.6% mom respectively in January.

Market volatility will continue at least until the expected first rate-hike by the Fed in March and will then be dependent on the tone of hawkishness from the Fed in terms of further rate hikes. With the Winter Olympics ending on the 20th February, investors will also be watching for potential changes to China's zero covid policy and its pollution control measures. Market observers would also be monitoring whether there would be further escalation to the standoff between Russia and NATO as it affects the energy market. Domestically, the outcome of the Johor state elections might pave the way for the General Elections to take place post the expiry of the MOU in July. 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

The new year began with a resounding shift in tone with regards to inflation and anticipated policy action by the Fed. The 2-, 5-, 10- and 30-year UST yields increased by 45, 35, 27 and 20bps

m-o-m as fear of rising inflation became more pronounced coupled with the increasingly hawkish tone of the Fed. Locally, the govies' yield too took cue from the movement in the UST market. The 10-, 15- and 30-year MGS increased by 8, 15 and 15 bps m-o-m, respectively though there were no significant macroeconomic drivers, as infection numbers remained stable and economic activity continued operating without much encumbrance. The public policy front was also relatively muted during the month. The first MPC meeting of the year was met with jittery sentiment, as yields on the 10-year MGS jumped close to 13bps ahead of the meeting, in anticipation of a similar hawkish tilt to that of its US counterpart. Subsequent to the relatively neutral tone of the MPC, which emphasised caution in forecasting future growth while acknowledging downside risks, the 10-year MGS eased by about 6bps. Meanwhile, the net foreign inflows for December 2021 were reported at RM6.3 billion, this indicates that the foreign investors were still into domestic bond market.

In the corporate bond segment, some prominent new issuances during the month were MEX 1 Capital Berhad (RM1.13 billion, A2), Cagamas Berhad (RM1.03 billion, AAA) and Dialog Group Berhad (RM500 million, AA2).

Over the near term, movement in the UST would likely be influenced by the tone and stance of the Fed. We believe the days of labelling inflation as transitory is over and the Fed will be more attentive to price pressures. We believe market participants are anticipating tighter monetary policy action with some players even expecting more than three rate hikes in 2022.

On the domestic front, the MGS will likely continue to track the movement in the UST market. Fundamentally, the continued resumption of economic activity coupled with stable infection rates and encouraging vaccination rate, should keep risk-off sentiment at bay. However, risk-off sentiment could resurface should any evolution in Covid virus result in renewed economic deterioration. As such, we will maintain a vigilant approach on credit selection when investing in corporate bonds. For govies, our strategy is to bargain hunt during primary auctions should the level become more appealing while maintaining the portfolio's current duration.

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.