HLMT i-BALANCED FUND

February 2021

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.

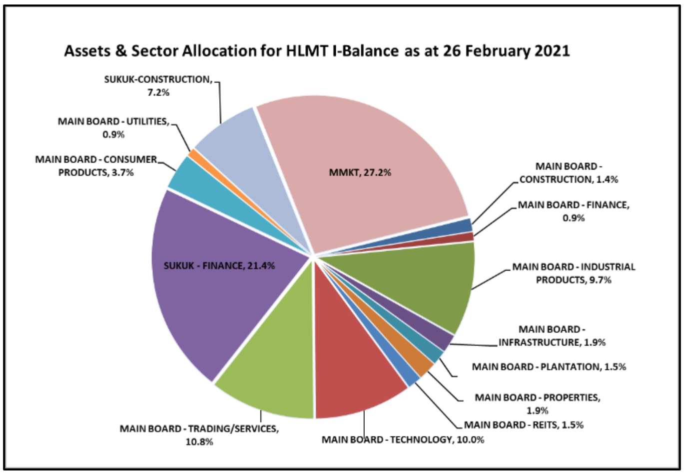
Asset	Ranges
Shariah-Compliant Equities	0%-70%
Sukuk/cash	30%-100%

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 (26/02/2021)	**RM 1.4379**
Fund Size (26/02/2021)	**RM 8.0mil**
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**

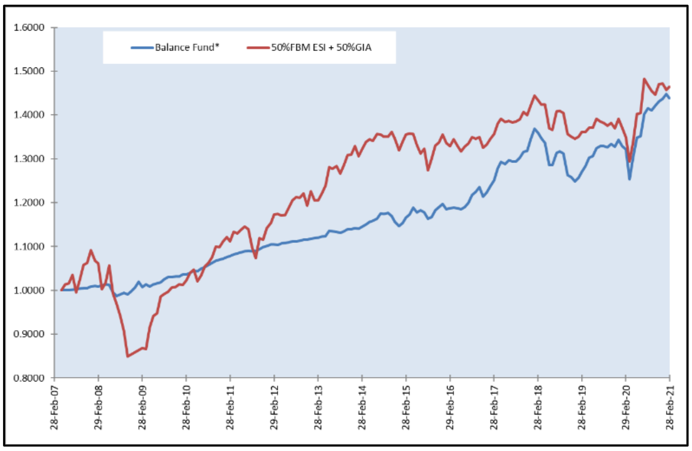
**Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx*



Top 5 Holdings as at 26 February 2021

1	MALAYAN BANKING BHD 31.01.2031	7%
2	SARAWAK HIDRO SDN BHD 11.08.2025	7%
3	AMISLAMIC BANK BERHAD 18.10.2028	7%
4	RHB ISLAMIC BANK BERHAD 21.05.2029	7%
5	UWC BERHAD	2%

Historical Performance



	1 Month	YTD	1 Year	3 years	5 years	since inception
i-Balanced	-0.70%	0.10%	8.80%	5.83%	21.14%	43.79%
Benchmark*	0.47%	-0.55%	8.53%	2.18%	10.16%	46.40%
Relative	-1.17%	0.64%	0.27%	3.66%	10.97%	-2.61%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities ended the month higher even though it was well off the intra-month highs, on concerns over rising bond yields. The United States ("US") 10-year Treasury bond yield jumped 32 basis points ("bps") to 1.4%, driven by expectations of stronger economic recovery as vaccination program gained traction in the US and globally as well as strong macroeconomic data in the US. Federal Reserve ("FED") Chair Powell also guided current accommodative policies will remain until the economy reaches maximum employment and inflation is likely to stay at or below its 2% target through 2023. In commodities, oil prices rose sharply during the month due to the extreme weather in Texas.

Moving on to Malaysia, we received the first shipment of the Covid-19 vaccine on 21st February 2021 and the government also brought forward the vaccination programme to 24th February 2021 instead of the originally scheduled date of 26th February 2021. This led to rotation back into the recovery names such as Genting, the brewers and some mall Real Estate Investment Trusts ("REITs"). The PM also launched The MyDigital initiative and blueprint (Malaysia's digital transformation programme) during the last week of February 2021. In the blueprint, a government special purpose vehicle will invest RM15b to roll out 5G in stages from end-2021, ahead of Jendela's earlier target. Malaysia's 4Q2020 gross domestic product ("GDP") came in weak at -3% year on year ("yoy"), bringing full year 2020 GDP -5.6% (lower than Bank Negara Malaysia's floor of -5.5%).

For the month of February 2021, retailers were net buyers at RM2.0b (USD493m) whilst local institutions were net sellers at RM1.7b (USD420m). Foreign institutions remained net sellers at RM0.9b (USD222m). Retailers and local institutions participation accounted for 36.5% and 27.3% of the value traded, with foreign institutions the remaining 15.9%. The FBM Shariah's was up by 0.8% month on month ("mom") return outperformed the FBM KLCI's was up by 0.7% mom return. FBM Emas and Small Cap indices were up by 2.2% mom and 7.9% mom respectively.

Despite the recent market weakness, we do not expect rising bond yields to halt the equity market's strong performance, provided it is a gradual increase and is driven by improved economic outlook rather than hawkish central bank policy. Markets will also be following closely the approval of US' fiscal package potentially worth around USD1.9 trillion in March 2021. Investors will also be digesting the outcome of the Organization of the Petroleum Exporting Countries ("OPEC") meeting in March 2021 and China's annual parliamentary meeting on 5th March 2021 onwards where China is expected to announce its key goals for 2021 and the next five-year economic development plan. Locally, the Monetary Policy Committee ("MPC") meeting held on 4th of March 2021 saw no changes to the Overnight Policy Rate ("OPR"). We will continue to be invested in both Covid-19 and recovery beneficiaries, skewing more towards the recovery theme.

Sukuk Market

In the month of February 2021, US Treasury ("UST") saw significant spikes in yield as reflation expectations took centre stage amongst the investment community. The 5-, 10- and 30-year tenor increased by 31 bps, 34 bps and 32 bps mom respectively as a result of such expectations. Long end of the curve was hit comparably more with 2-year to 10-year and 5-year to 30-year spread reaching its highest level respectively since 2017 and 2015. The reflation induced sell offs seemed impervious to continued reassurances of dovish policies by the FED and lacklustre economic data. Consumer Price Index ("CPI") data released in mid-February 2021 came in tame at 1.4%, below market expectations of 1.5% and considerably short of the FED's target of 2.0%. Confidence in recovery was likely derived from an increase in oil prices which reached above USD60 per barrel, highest since January 2020 and Biden's USD1.9 trillion stimulus bill which passed the house in end February 2021 and scheduled for Senate voting in the first week of March 2021.

On the local front, government bond ("govvies") yields were seen tracking the UST by and large with 10-, 15- and 30-year Government Investment Issue ("GII") tenor increased by 40 bps, 47 bps and 17 bps mom respectively. The 10-year GII benchmark closed at 3.269%, an eight-month high with the 3-year to 10-year spread widening to 110 bps. Short dated tenor remained relatively grounded by near term caution with the 3-year yield increasing at a considerably lower magnitude of 23 bps mom. The steep increase in longer tenor yield came in despite bigger than expected 4Q2020 GDP contraction of 3.4% versus expectation of 3.1%. Apart from the increase in UST yield, lower than expected CPI contraction of 0.2% against the estimated of 0.8%-1.0% also partly drove the increase in govvies yields.

The corporate bond segment which typically lags the movement in govvies saw AAA spread against comparable govvies decreasing. The spread 3-, 5-, 10-, and 15-year AAA tenor decreased by 13 bps, 17 bps, 11 bps and 12 bps mom respectively. Quasi government and AAA bonds continue to make up the bulk of traded bonds as demand for liquidity remains heighten. Sector wise, defensive bonds from the power and energy sector continued to be a staple in daily bonds trade during the month. Some prominent new issuances during the month are Danainfra (RM2.2b, government-guaranteed), Maybank (RM1.0b, AA1) and PASB (RM800.0m, AAA).

Given how the local govvies have been following suit the increase in UST yields, expectations or sentiments pertaining to the US economic recovery warrants attention. Chief among factors influencing such sentiments will be the Senate voting on Biden's USD1.9 trillion stimulus early March 2021. Domestically, all eyes will on the MPC sitting scheduled on 4th March 2021. Going forward, pace of economic recovery would rely on among others, the timeline and efficacy of the recent vaccine rollout which took place at the end of February 2021. The heavy supply pipeline in March 2021 for both govvies and government-guaranteed papers are expected to keep bond yields elevated. In view of the above, we remain defensive on our portfolio construction.

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

Year	Net Annual Returns
2016	2.26%
2017	9.96%
2018	-7.16%
2019	7.52%
2020	6.96%

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 & 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.