

HLMT i-INCOME FUND

February 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

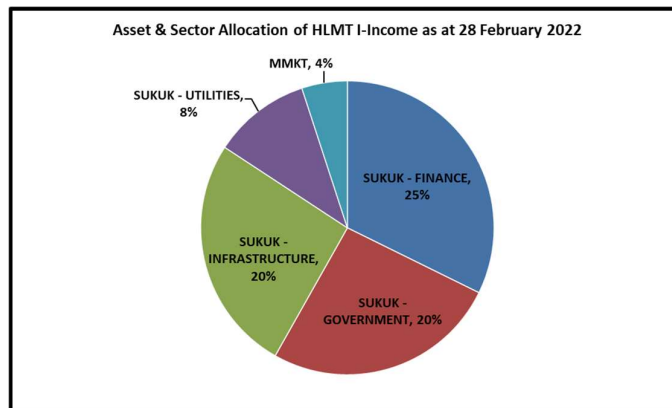
This fund is suitable for investors with low to moderate risk horizon and medium to long term investment horizon.

Fund Details

Unit Price (28/02/2022)	RM 1.6543
Fund Size (28/02/2022)	RM 6.9mil
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 28 February 2022

1	RHB ISLAMIC BANK BERHAD 21.05.2029	9%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	8%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	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	0.21%	0.02%	0.90%	10.89%	20.23%	65.43%
Benchmark*	0.92%	-0.01%	0.02%	5.85%	9.89%	48.74%
Relative	-0.72%	0.02%	0.88%	5.04%	10.34%	16.69%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

February was a rough month as investors continued to risk-off with the global monetary policy normalization theme becoming more entrenched. This was on the back of the hawkish tilt by both the BOE and ECB as well as the strong economic data released in the US. Sentiment took a turn for the worse when Russia launched a large-scale invasion of Ukraine on 24th February. As a result, global financial markets tumbled and gold rallied past the psychological level of US\$1,900/oz as investors rushed into safe haven assets. Prices of global commodities spiked as Russia is a major producer of oil while Ukraine is a major exporter of soft commodities. Crude oil breached US\$100/ barrel and CPO went to a record high of RM6,700/tonne and may stay at such elevated levels with the ongoing invasion. The Western allies condemned the invasion and fought back by placing sanctions on certain Russian banks' access to the SWIFT international payments system and announced plans to implement restrictions on the Russian central bank's international reserves.

Back to Malaysia, February was the results reporting season for the October to December quarter. It was generally a good quarter with early evidence of economic recovery. Sectors with earnings that surprised on the upside were plantation, energy, banks, consumer and property. These were the same sectors that outperformed the broader market whilst the technology and healthcare sectors continued to underperform. On the political front, all eyes will be on the outcome of the upcoming Johor state election which will be held on 12 March 22. On key economic indicators, 2021 GDP growth came in at 3.1% (4Q21 +3.6%) and headline inflation increased to 3.2% in 4Q21 vs 2.2% in 3Q21, mainly driven by the normalisation in electricity prices. The government has maintained 2022 GDP growth target to range between 5.5-6.5% as the economy recovers to pre-pandemic levels.

The average daily trading value in February improved again on a mom basis to RM2.8b vs Jan's RM2.1b. Retailers turned small net buyers +RM0.1b whilst local institutions stayed net sellers -RM2.7b. Foreign institutions stayed net buyers +RM2.8b. Retailers and local institutions were 27.4% and 34.2% respectively of value traded. Foreign institutions accounted for 22.7% of value traded. The FBM Shariah's mom return of 4.7% underperformed FBM KLCI's +6.4% mom return. FBM Small Cap and FBM Emas was higher by 5.3% mom and 5.1% mom respectively.

Market volatility will continue as the environment remains challenging on the back of rising rates, slowing growth and elevated prices of global commodities. These factors have raised concerns over the possibility of stagflation. Investors will also be following closely the latest developments of the Russia-Ukraine war. The FOMC on the other hand is expected to start the rate hike cycle with a 25-50bps hike during the March meeting. As for China, there will be the upcoming "two sessions" where investors will be focusing on China's GDP targets, policy outlook and hints of tech-sector regulations. In Malaysia, with the ongoing Parliament sitting, there could be potentially more newsflow on the reopening of international borders to vaccinated travellers. Bank Negara Malaysia will be publishing its annual report in March and should be releasing its growth forecast then. Investors will also be keen to know the winners for the digital banking licenses. 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 February, the local govvnies yield recorded a mixed reaction towards the rise in UST and the ongoing conflict in Ukraine. Domestic yields did not react as strongly compared to

its US counterpart as some local development kept a lid on fears on the economy overheating. The yield of the 30-year MGS increased by 4 bps m-o-m while the 10y and 15y notes remained unchanged at 3.67% and 4.06% respectively. Inflation reading for January which came in at 2.3%, lower than Bloomberg's consensus of 2.5%, bodes well with BNM's current tone that aggressive reversal in its accommodative policy is not warranted as of yet. Additionally, while the nation is currently adopting the approach of treating Covid-19 situation as an endemic and living with it, the rise in daily infection cases has caused concerns in the market. In February, daily infection cases surpassed 30,000, the highest daily increase since the pandemic began, partially offsetting the risk on sentiment driven by the economic recovery.

As for the corporate bond/sukuk segment, some prominent new issuances during the month were Pengurusan Air SPV Berhad (RM750 million, AAA) and Batu Kawan Berhad (RM500 million, AA1).

Moving forward, it is expected that the local govvnies will continue to track the movement in the UST market while the UST's movement over the near term would likely be influenced by the development of the ongoing Russia-Ukraine conflict. Possibility of an escalation which would involve US and the NATO militarily entering the conflict could send shockwaves in the US and global financial markets, inducing risk-off sentiments. Meanwhile, on the local front the current rise in daily cases does not warrant acute risk-off sentiment given the encouraging vaccination rate and the still low percentage of cases classified in stage 3 and above. We will nevertheless actively monitor these statistics with a close watch on hospitalisation rate and ICU capacity as we believe it is a better gauge on the status of our public health landscape. Chances of renewed lockdown measures could emerge should our public health infrastructure get strained to its limit once more as we have observed during the Delta variant outbreak. In view of the above, we maintain a cautious stance on the sukuk market while waiting for opportunity to reinvest when market has been oversold on rate hikes fear.

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.