

# HLMT i-INCOME FUND

Dec 2023

## 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 80% 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.

### 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 (31/12/2023)	<b>RM 1.7824</b>
Fund Size (31/12/2023)	<b>RM 10.3 mil</b>
Fund Management Fee	<b>1.00% p.a</b>
Fund Manager	<b>Hong Leong Assurance Berhad</b>
Fund Category	<b>Sukuk</b>
Fund Inception	<b>April 2007</b>
Benchmark	<b>20% FBM Emas Shariah Index + 80% GIA</b>
Frequency of Unit Valuation	<b>Daily</b>

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

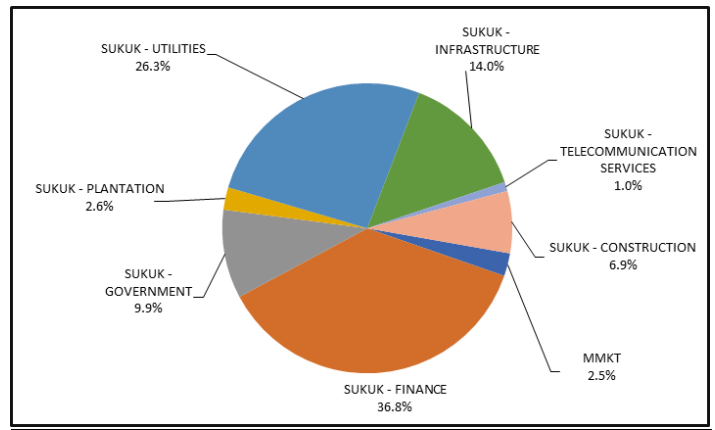
\*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website

[www.hlmtakaful.com.my/Quick-Links/Fund-Prices.asp](http://www.hlmtakaful.com.my/Quick-Links/Fund-Prices.asp)

## Asset Allocation as at 31 Dec 2023

Sukuk	97.5%
Islamic Deposit & Cash Equivalents	2.5%
<b>Total</b>	<b>100.0%</b>

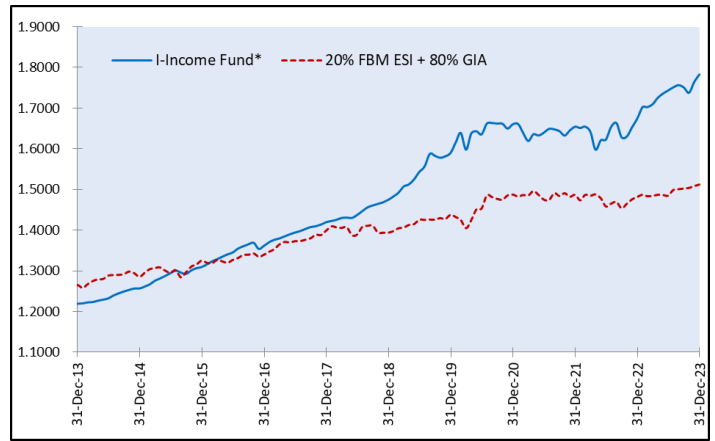
## Sector Allocation as at 31 Dec 2023



## Top 5 Sukuk Holdings as at 31 Dec 2023

1	<b>TNB Power Generation Sdn Bhd 02.06.2037</b>	<b>10.7%</b>
2	<b>Plus Berhad 12.01.2038</b>	<b>10.5%</b>
3	<b>CIMB Islamic Bank Berhad 29.11.2030</b>	<b>7.4%</b>
4	<b>Gamuda Berhad 20.06.2030</b>	<b>6.9%</b>
5	<b>RHB Islamic Bank Berhad 21.05.2029</b>	<b>5.9%</b>

## Historical Performance



i-Income	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
<b>i-Income</b>	<b>1.07%</b>	<b>6.48%</b>	<b>6.48%</b>	<b>7.36%</b>	<b>20.87%</b>	<b>78.24%</b>
<b>Benchmark*</b>	<b>0.25%</b>	<b>2.05%</b>	<b>2.05%</b>	<b>1.67%</b>	<b>8.48%</b>	<b>51.28%</b>
<b>Relative</b>	<b>0.82%</b>	<b>4.43%</b>	<b>4.43%</b>	<b>5.69%</b>	<b>12.39%</b>	<b>26.96%</b>

\*Source: Bloomberg

## **Market Review, Outlook & Strategy**

### **Equities Market**

During the month, global equities continued to inch up for the second month as US FOMC maintained its target rate range at 5.25%-5.50% in its December 2023 meeting and finally turned dovish guiding the market for a 75bps cut in rates in 2024. This led to the market shifting its expectations that rates could be cut as soon as March and pricing in an implied 140bps cut for 2024. The rhetoric of a faster rate cut was further strengthened by US Nov CPI falling to +3.1% yoy as compared to +3.2% yoy in the previous month. On the other hand, China equities market was flat after four consecutive months of decline. During the month, China's National Press and Publication Administration (NPPA) published a new draft regulation for its online gaming industry, aiming to limit excessive spending and addiction. This renewed fears of policy overhang amid weak economic conditions in China. Brent oil continued to drop for a third consecutive month by -7.0% m-o-m in December to USD77/bbl as market expects slower economic growth in the US and Europe that could lead to lower oil demand in 2024.

Domestically, it was a month of lighter news flow. Prime Minister Datuk Seri Anwar Ibrahim reshuffled his cabinet with the expansion of cabinet members from 28 to 31 and the introduction of 5 new ministers with several re-designations. EPF CEO Amir Hamzah was also appointed as Finance Minister II, assisting the Prime Minister. Separately, Transport Minister Anthony Loke mentioned that MRT Corp will begin its land acquisition process in stages from next year for the Mass Rapid Transit Line 3 (MRT3) Circle Line project which is estimated to take two years to be finalized.

Average daily trading value grew to RM2.3b in December as compared to RM2.2b a month ago. Foreign investors remained net buyers for the month of December by +RM0.3b, narrowing YTD foreign equity outflow to -RM2.4b. Economically, Malaysia's October industrial production rebounded to register a growth of 2.7% yoy as compared to a contraction of -0.5% yoy in September. November PMI also improved to 47.9 as compared to 46.8 in the previous month. Lastly, November CPI was slightly lower at 1.5% yoy as compared to 1.8% yoy in October. In December, the FBM Shariah gained by +0.54% m-o-m, which was marginally better than the FBM KLCI that saw a slight positive return of +0.13% m-o-m to close at 1,456.7 points. The other benchmarks, FBM Emas and FBMSC increased by +0.90% m-o-m and +1.45% m-o-m respectively.

Globally, investors are expecting US interest rate cuts to start in 2024. However, FOMC reiterates that it is still data dependent and investors will continue to assess upcoming macro data releases as well as FOMC member's narratives to adjust expectations on interest rate direction. Geopolitically, the Israel-Hamas tension had escalated slightly after the Houthi rebel group in Yemen conducted repeated attacks on commercial vessels in the Red Sea, causing major liners to divert container vessels through the much longer maritime passage around Africa's Cape of Good Hope. As for HK/China markets, investors are assessing the impact of the recent bond stimulus and financing program for its property sector as well as potential additional policies. Domestically, attention will be focused on the implementation of announced initiatives by the government and the potential announcement of several key infrastructure projects such as Penang LRT, Phase 1B of Pan Borneo Highway Sabah, and Sabah Sarawak Link Road Phase 2. We remain defensive with our strategy being tilted towards dividend-yielding names. Sectors that we favour include financials (banks), transport, construction, utilities and commodities (Metals/Oil & Gas).

### **Sukuk Market**

In December, local government sukuk mirrored the sentiment of the US Treasuries, witnessing a decrease in yields across the curve. Since Bank Negara Malaysia's ("BNM") maintained its stance direction to keep the interest rate unchanged, the bullish sentiment

was further ignited by the continuous downward pressure on inflation data, which has dropped all the way to 1.5% (compared to a peak of 4.6% in Sep 2022). By end December, the 3-, 5-, 10-, and 30-year GII settled at 3.514% (-6bps), 3.696% (-6bps), 3.799 (-8bps), and 4.357% (-7bps), respectively.

In the corporate sukuk segment, some prominent new issuances during the month were Affin Islamic Bank Berhad (RM600 million, AA3), Bank Pembangunan Malaysia Berhad (RM1 billion, AAA), and Cagamas Berhad (RM700 million, AAA).

As the market aggressively responded to the FED pivot catalyst, the UST 10-year yield has dropped by as much as 1.14% from its peak of 4.99% since Oct 2023. This represents the strongest retracement of the UST post Covid-19, signaling confidence in the emerging bullish trend. However, we are cautious about the potential for a yield reversal, given the recent rapid drop in yield.

Similarly, domestic bond yields have recently witnessed a substantial decrease, despite the expectation that BNM will hold the Overnight Policy Rate at the current level. The decline lacks a clear catalyst, except for the spillover effect from the dovish FED. Therefore, we anticipate that the local market will likely continue tracking movements in the U.S. Treasury. Our strategy for the core holding remains consistent; we will persist in exploring primary corporate issuances to capitalize on potential yield pickup opportunities. Additionally, we may consider taking profits on select government sukuk if favorable opportunities arise, and replace them with Islamic corporate sukuk.

### **Actual Annual Investment Returns based on Published Price for the Past Five (5) Calendar Years**

<b>Year</b>	<b>Net Annual Returns</b>
2018	3.88%
2019	7.81%
2020	4.43%
2021	-0.37%
2022	1.21%

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.