

HLMT i-INCOME FUND

August 2020

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 fixed income securities and a small proportion in equity securities.

2. Investment Strategy & Approach

The Fund seeks to generate a stable income stream by investing in mainly fixed income securities with a small investment in equity securities.

3. Asset Allocation

The indicative asset allocation for The Fund is to invest a minimum of its NAV in fixed income securities, 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%
Islamic Fixed income securities/cash	80%-100%

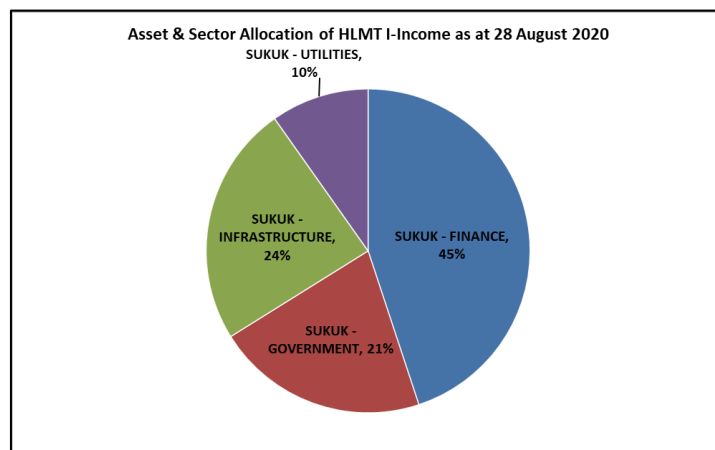
4. Target Market

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

Fund Details

Unit Price (28/08/2020)	RM 1.6631
Fund Size (28/08/2020)	RM4.8mil
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

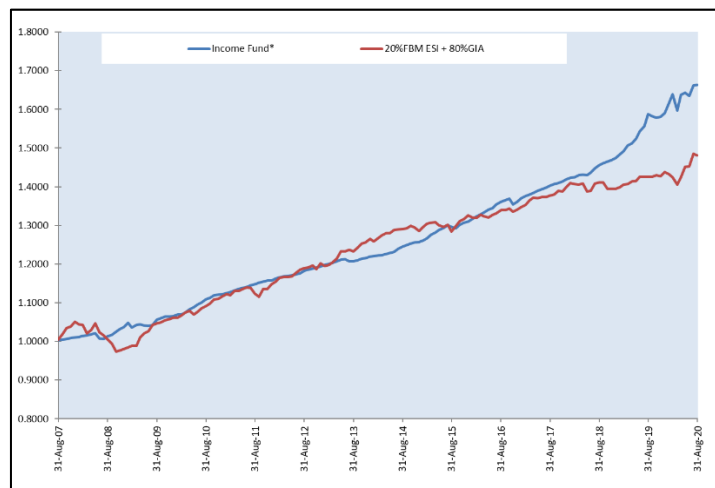
*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx



Top 5 Holdings as at 28 August 2020

1	RHB ISLAMIC BANK BERHAD 21.05.2029	13%
2	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	12%
3	MALAYSIA INVESTMENT ISSUE 04.08.2037	12%
4	MALAYAN BANKING BHD 31.01.2031	11%
5	AMISLAMIC BANK BERHAD 18.10.2028	11%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.09%	4.62%	4.78%	4.53%	4.10%	66.31%
Benchmark*	-0.31%	2.99%	3.83%	1.62%	2.03%	48.09%
Relative	0.40%	1.63%	0.95%	2.91%	2.07%	18.22%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regionally, it was a stronger month aided by robust results and guidance from the US technology companies and better broad-based economic data, suggesting demand recovery associated with the re-opening of the major economies. The US-China trade relations remain mixed - the US Trade Representative issued a statement to reinforce that the two countries are committed to taking steps necessary to ensure the success of the Phase One agreement which was positive but sanctions on Huawei, export controls and the South China disputes were clear negatives. However, during the month the US dollar weakened as the unattractive carry trade and twin deficits continue to weigh on the dollar. Oil prices continued to trend higher with WTI posting a 6% mom gain to US\$42.82/ barrel on the back of an expected pick-up in demand as economic activities normalize with the weak dollar providing support to the price.

Domestically it was the results reporting season. Sectors that were most impacted by the MCO in 2Q20 were airlines, auto, construction, property, media and gaming. Malaysia's 2Q20 GDP also came in weaker than expected at -17.1%. As a result, Bank Negara Malaysia revised its growth projection to a range of -3.5% to -5.5%. A combination of weaker-than-expected GDP, low inflation and high household indebtedness indicated there could potentially be further monetary easing later this month. During the month, the Parliament also approved the government's plan to raise its debt ceiling to 60% of GDP to mitigate the effects of Covid-19.

For the month of August, FBMSC was the outperformer with a +5% mom return. FBM Emas Shariah was down by 2%, FBM KLCI -5%, and FBM Emas -3%. Foreign selling on Malaysian equities continued but tapered to around RM1.5b in Aug vs the average of RM2.8b in the previous 4 months. Retailers continued to be net buyers at RM1.7b.

Domestically, investors will track the end of the blanket loan moratorium to check if the liquidity-driven rally will sustain with the same vigour come October. In addition, investors will also continue to watch for the roll-out of the medium-to-long-term policy measures by the government in October, Budget 2021 in November and also political developments. We continue to advocate a defensive stance, favoring high dividend yielding stocks as well as stocks offering resilient earnings prospects in the current challenging economic environment. We would also favour structural stocks that provide earnings certainty as we look forward to a world post-Covid-19.

Fixed Income Market

In the month of August, the 10-year US Treasury ("UST") yield rebounded off its support at around 0.50% and started off on a gradual uptrend before it closed at 0.70%. One of the biggest developments in the month of August is the Fed's renewed monetary policy stance during the virtual gathering of Jackson Hole where Jerome Powell iterated that the institution intends to target average inflation of 2% in the long run which also means that the authority is allowing for flexibility for inflation to overshoot 2% moderately to make up for periods of undershooting. Following the said announcement, the UST curve steepened and was 2-31 bps up across the curve as market turned risk-on following the said announcement and a series of stronger-than-expected economic data. The 30- and 5-year Treasury spread widened to 119bps, the largest range in three months, thanks to a sizeable selloff in longer-dated Treasuries.

Similar to the moves in the UST, the bullish run in Ringgit government bonds stalled in August after a strong rally in July,

albeit to a smaller extent. Selling pressure was more prominent at the back-end while the front-end remained supported as investors lightened duration alongside the weak auction results for govies. One of the major developments for the month of August was the virtual event titled "Malaysia Financial Markets: Resilience Amidst Global Uncertainties" which was held on 25 August 2020 where Bank Negara Malaysia ("BNM") made a public remark that it expects a recovery in the second half of the year given the reopening of the economy followed by an even sharper recovery potentially in 2021. Following BNM's remark, we saw some profit taking and some market players unwinding their dovish pricing for Ringgit bonds where it previously priced in an expectation of a rate cut in September 2020 as the probability of the said expectation materializing is somewhat diminishing.

Movements in the Malaysian corporate bond market somewhat mirror that of the sovereign market, albeit less vibrant. Interest was spread out across the various sectors and across a range of government-guaranteed names as well as the usual rating curve. Prominent new issuances for the month were TNB's AAA-rated on tenors ranging from 10-20 years and coupons ranging between 2.90%-3.55% totaling RM3.0 billion, UOB Malaysia's AA1-rated 10NC5 bonds totaling RM750 million and Gamuda Land's AA3-rated 5-10 year bonds amounting to RM600 million.

Moving into the month of September, the market will be closely watching the upcoming MPC meeting as it is pivotal in anchoring the market's view in the direction of rates going forward. Given the more upbeat economic outlook conveyed by BNM in the recent briefing where the authority thinks that 2Q2020 economic contraction is likely a trough, we are of the view that the urgency for another rate cut in the next MPC meeting has dimmed significantly. That said, investors will be scrutinizing the upcoming press release by BNM following its planned MPC meeting and market players will be watching for clues on how soon will BNM turn hawkish again as well as its policy guidance going forward. Besides, the other event that investors will be watching closely is the annual review by FTSE Russell and we expect market players to play a defensive stance going into the announcement. Given the dynamics in the local sovereign and the potential opportunities following the upcoming events, we are positioning the portfolio to take advantage of temporary sell-offs to lock in attractive yields and strategically take profit when the sovereign market turns bullish.

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	Net Annual Returns
2015	4.19%
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%

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.

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, fixed income, collective investment scheme and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, 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.

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 sukuk, debentures and fixed income instruments. The institution invested in may not be able to make the required profit payments or repayment of principal.

3. Profit Rate Risk

Applied to fixed income securities, 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