

HLMT i-INCOME FUND

July 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.

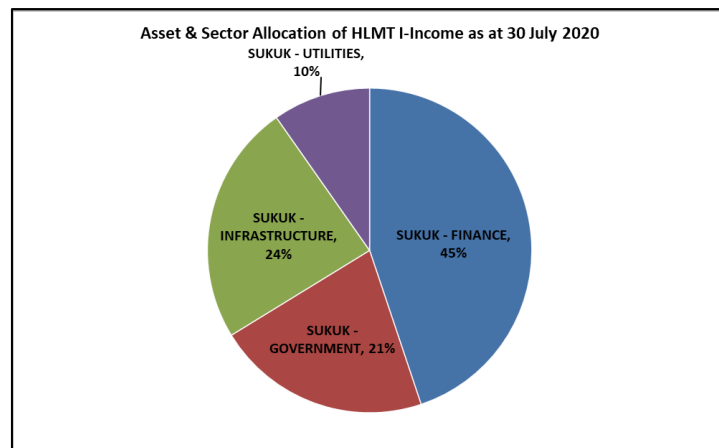
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

4. Target Market

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

Fund Details

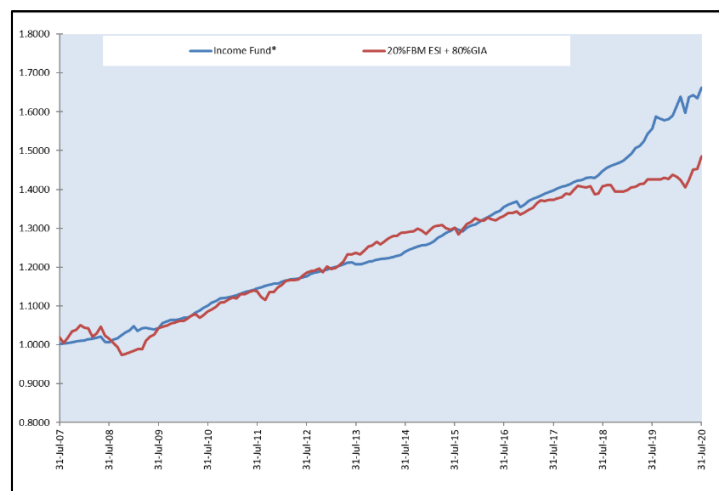
Unit Price (30/07/2020)	RM 1.6616
Fund Size (30/07/2020)	RM4.7mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily



Top 5 Holdings as at 30 July 2020

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

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	1.61%	4.52%	6.78%	4.72%	4.17%	66.16%
Benchmark*	2.22%	3.30%	4.20%	1.79%	2.21%	48.55%
Relative	-0.61%	1.22%	2.58%	2.93%	1.96%	17.61%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

During the month, markets continued to experience the risk-on rally with global mega-cap technology stocks leading the way due to strong earnings expectations and further supported by the Fed's continued dovish stance. A second wave of Covid-19 infections were seen across Asia with China, Hong Kong and Japan reporting a spike in new cases and hence leading to re-tightening of social distancing measures. On the vaccine front, news flow has been encouraging with at least 3 vaccines entering the final stages of trials although most experts expect the availability of vaccines to realistically be mass-available only in early 2021. US-China trade tensions continued to worsen during the month with the US ordering the closure of China's consulate in Houston, which led to a tit-for-tat by China on the US consulate in Chengdu.

Domestically, it was a month of many firsts for Malaysia. Bursa Malaysia's daily trading volume surged to over 12b shares twice in July. Amidst this unprecedented level of retail trading, the system crashed on July 16th. May's unemployment data which was released in July spiked to 5.3%, the highest in 30 years. Ex-PM Najib Razak was found guilty of seven charges related to the misappropriation of RM42m from Government-owned company SRC International Sdn Bhd when he was the PM. He has since filed an appeal against the High Court decision. Following the guilty verdict, UMNO's chief Ahmad Zahid Hamidi announced that the party would not formally join the loose ruling coalition of Perikatan Nasional, leaving PM Muhyiddin's government in a delicate balancing act due to the current slim majority.

For the month of July, on a relative basis, the FBM Emas Shariah was the best performing bourse posting a mom gain of 11.63% to close at 13,439.53 pts. The FBM KLCI underperformed the broader market with a mom gain of 6.85%. The FBM Small Cap index and FBM Emas index each recorded a mom gain of 10.06% and 8.17% respectively. Foreign investors net sold around RM2.6b of Malaysian equities in Jul 20, which is their 12th consecutive month of net sell. This brings cumulative net sell for the first 7 months of 2020 to RM19b vs 2019's net outflow of RM11b. Foreign holding in Malaysian equities should have receded further from 21.4% as of end Jun 20, closing in to 2009/10's low of slightly above 20%.

Domestically, investors will be watching out for the roll-out of the medium to long term policy measures by the government in October, Budget 2021 in November, upcoming 2Q earnings season and also the 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 pandemic.

Fixed Income Market

The US Treasury ("UST") yield curve was consolidating in a tight range for the month of July and ended the month 4-22bps lower across the curve despite a rather eventful month amid ongoing news surrounding the surge in coronavirus infections, vaccine development and the reoccurrence of geopolitical tension between US and China. Fitch also cut the rating outlook of the US sovereign to negative from stable on the back of persistent deterioration in public finances but was largely seen as a non-event to affect the perceived credit strength of the country. The outcome of the FOMC meeting held in the month did not deliver surprises as the Fed reiterated its commitment to continue with its asset purchases at the current pace. As a result of the said guidance by the Fed, it is also increasingly

evident that government bond yields have become less responsive to prospects for economic growth and inflation.

In line with the trend seen globally, the 10 year Malaysian Government Securities ("MGS") yields continued to trend lower amidst glaring economic headwinds. The MGS curve shifted lower by 32-47bps across the curve as local and foreign buyers continue to scoop up the local safe haven in view of its relatively attractive absolute yield compared to some of its regional peers. The corporate bond market was vibrant for the month of July with interest seen across the board. Prominent new issuances for the month were PR1MA's RM2 billion issuance at tenures of 5 years and 7 years and were priced at 2.38% and 2.58% respectively, or equivalent to +25 to +26 bps spread over MGS, which are tighter than quasi spreads in the secondary market. Tenaga Nasional Bhd also tapped the market for its AAA-rated multi-tranche issuance amounting to RM3 billion in various tenures. Interest was high as demonstrated by its order book of RM9 billion which was more than four times its initial RM2 billion target size, which was subsequently upsized to RM3 billion. Due to strong buying interest amidst the scarcity of high quality corporate issuances in the local bond market, yields were revised downwards to 2.90% for 10 years, 3.25% for 15 years and 3.55% for the 20 years, or approximately 29-36bps spread over the MGS and that was evidently tighter than the AAA spreads of approximately 40bps in secondary market.

With the release of weak economic growth numbers towards the end of July, we are likely to see more volatility in the month of August as the market waits for a slew of economic releases. In addition, the latest development surrounding the Covid-19 pandemic suggests that the economic consequences will probably be here to stay. Across the board globally, we expect to see some of the worst economic releases and corporate earnings in decades which may drive further inflows into safe havens away from riskier assets.

While we expect local MGS yields to track movements seen on the global front, the risk to the MGS curve is also anchored on a few potential negative surprises locally. This includes a potential downgrade on Malaysia sovereign rating or outlook by the international rating agencies on concerns about Malaysia's widening fiscal deficit as it rolls out stimulus measures to help combat the negative economic consequences of Covid-19. Besides, political uncertainties as well as the impending FTSE Russell announcement on whether Malaysia will be excluded from its flagship index or have its weight reduced are curve balls that the MGS players are closely watching for. Given the dynamics in the local sovereign space, we maintain our strategy to invest into short tenure PDS especially from the primary market and to trade on govies for yield enhancement if the opportunity arises.

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.

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 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.