

HLMT i-INCOME FUND

September 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%

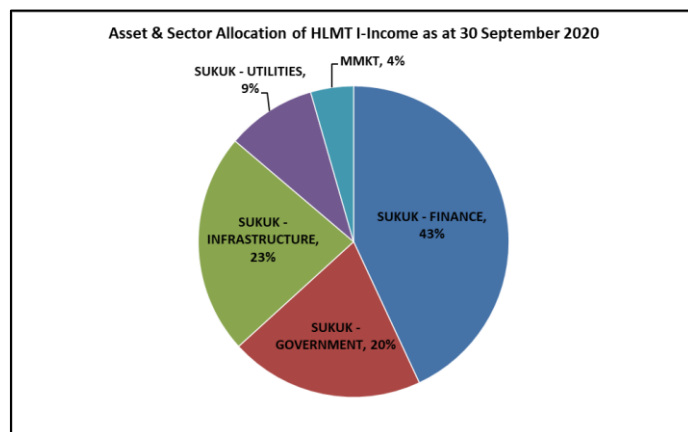
4. Target Market

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

Fund Details

Unit Price (30/09/2020)	RM 1.6618
Fund Size (30/09/2020)	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

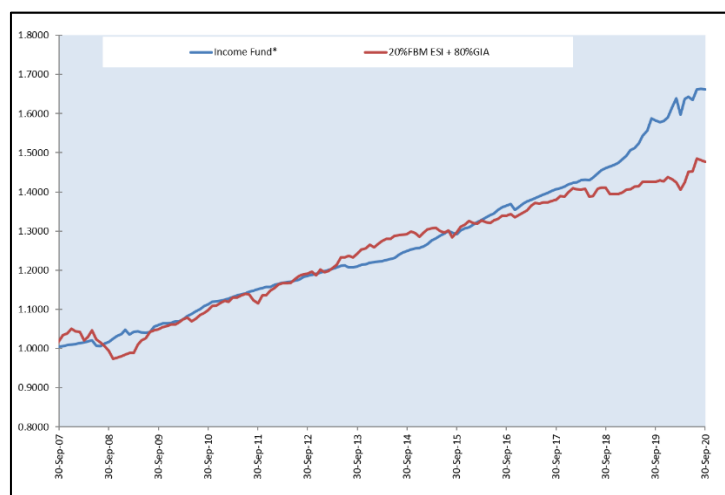
*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx



Top 5 Holdings as at 30 September 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	-0.08%	4.54%	5.00%	5.69%	5.16%	66.18%
Benchmark*	-0.28%	2.69%	3.57%	2.27%	2.63%	47.67%
Relative	0.20%	1.84%	1.44%	3.42%	2.53%	18.51%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities succumbed to profit taking in September led by technology stocks post-results and corporate actions after five consecutive months of gains. Sentiment was also weighed by disappointing US unemployment data and rising US-China tensions over the two Chinese social media apps. Federal Reserve officials also continued to flag concerns over a weak US economy that is in need of another fiscal stimulus package. Some optimism surfaced on stimulus as the Democrats in the US House of Representatives unveiled a US\$2.2 trn coronavirus relief package that includes restoring the additional US\$600 per week jobless benefit with the administration resuming talks with the Democrats on closing the gap on the size of the stimulus.

Domestically, Bank Negara Malaysia (BNM) left the Overnight Policy Rate unchanged at 1.75% during the recent Monetary Policy Committee Meeting after 4 consecutive cuts since the start of 2020. BNM expects economic activity to recover from the trough in Apr 20 and inflation pressures to remain muted in 2020. We also saw Malaysia being retained on the watch list of FTSE World Govt Bond Index (WGBI) with the next review in Mar 21. During the month, Prime Minister Muhyiddin Yassin also unveiled additional stimulus measures amounting to RM10b – under Kita Prihatin, which targets the B40, M40, workers and micro businesses in several sectors. The political drama continued with Anwar Ibrahim claiming to have secured the majority support to be the next PM just before the Sabah state elections while awaiting an audience with the King. Sabah's state elections saw the GRS (coalition party of BN+PN+PBS) winning a simple majority of 38 seats unseating Warisan Plus (Warisan+DAP+PKR+UPKO) who won 32 seats and the Independents with 3 seats (who have since aligned themselves with GRS). Meanwhile Malaysia is experiencing another wave of Covid-19 with the recent spike in the number of cases. The government for now has ruled out the need to have a full lockdown like the previous Movement Control Order.

For the month of September, FBM Emas Shariah was down by 2%, underperforming FBMKLCI's -1.3%. FBM Emas declined by 2.3% and FBMSC was down by 6.3%. Retailers continued to be net buyers at +RM1.4bn (USD335m) whilst foreign institutions remained net sellers at -RM2.0bn (USD478m). Retailers and local institutions accounted for 38% and 47% of value traded respectively, markedly higher than what it used to be before the MCO. Foreign institutions accounted for 15% of value traded.

Regionally all eyes will be on the upcoming US Presidential elections in Nov 20, where markets have not fully discounted the possibility of a long-drawn dispute if President Donald Trump refuses to concede defeat should he lose. Domestically, investors will be monitoring 1) newsflow on political developments after Datuk Seri Anwar Ibrahim's claim that he has a "strong, formidable majority" to form a new Federal Government, 2) the outcome from the end of the loan moratorium period in September as well as the 3) recent spike in the number of cases for Covid-19. We continue to advocate a defensive trading approach favoring stocks that offer earnings certainty with dividend yields as well as stocks that are beneficiaries from the structural changes brought about and accelerated by Covid-19.

Fixed Income Market

In the month of September, the Malaysia bond market began the month with some pull back from profit taking after the parliament of Malaysia on 24th August approved the government's plan to raise its debt. However, as soon as Malaysia's central bank maintained the Overnight Policy Rate ("OPR") at 1.75% on 10th September, the selloff accelerated.

Ahead of the risk events, specifically FTSE Russell decision's on 25th September and political backdrop, we saw an abrupt upward adjustment on the entire govies curve. This was led by the weak and long-tail auction results on 30-year Government Investment Issues ("GII"). The long awaited announcement from FTSE Russell finally reported that Malaysia is retained in the World Government Bond Index ("WGBI") but it will remain on watch list for exclusion. This news somehow has supported bond market sentiment slightly. However, some pressure remains in the longer term as China is set to be included into the WGBI in stages starting next Oct-2021, with weighting anticipated around 5-6% of the index. Malaysia's weight is pretty small at 0.4%, so some viewed that total possible long term outflow out of Malaysia in view of China's inclusion should be manageable. Overall, Malaysia Government Securities ("MGS") yields shifted upward by 7-15bps across the curve with the exception of 15- and 20-year MGS benchmark that have a net decline in yields of -2 and -11bps respectively as the bonds recouped from their oversold level earlier.

As for the corporate bond market, trading activities have been lackluster as investors were on defensive positioning while waiting for govies yields to find its footing. On the primary front, prominent new issuances for the month were Pengurusan Air SPV Bhd's 7-15 years AAA-rated bond with yields ranging from 2.91% to 3.65% amounting to RM765 million, Danainfra Nasional Bhd's 7-25 years government guaranteed ("GG") bond with yields ranging between 2.66%-4.01% totaling RM4 billion, Malaysia Rail Link Sdn Bhd's 10-25 years GG bond with yield ranging between 2.87%-3.89% totaling RM800 million and Swirl Assets Bhd's AAA-rated 1-10 year bonds with yield ranging between 3.20%-3.90% amounting to RM595 million.

Moving forward, local bond market sentiment is expected to remain defensive amidst the ongoing political instability and uncertainty in the recovery of the economy. Also, the heavy primary corporate bonds pipeline as well as more supply of govies should the government require funding needs to facilitate the stimulus package to combat the economic impact of the Covid-19 pandemic may push the yields higher. On the other hand, we are also mindful of the impact of any resurgence in Covid19 that could potentially protract the economic recovery and result in lower yields again. Thus, we still maintain our strategy to invest into short tenure PDS especially from the primary market and trade on govies for yield enhancement if 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.

fund is invested which the Takaful Operator, in its discretion, may consider exceptional.

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

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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

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.