

HLMT i-INCOME FUND

January 2021

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

The Fund seeks to generate a stable income stream by investing in mainly sukuk 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 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%

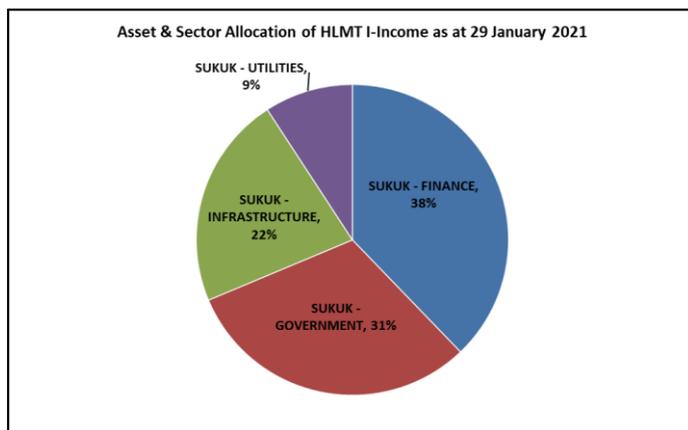
4. Target Market

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

Fund Details

Unit Price (29/01/2021)	RM 1.6605
Fund Size (29/01/2021)	RM 5.0mil
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 29 January 2021

1	RHB ISLAMIC BANK BERHAD 21.05.2029	12%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	11%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	11%
4	MALAYAN BANKING BHD 31.01.2031	11%
5	AMISLAMIC BANK BERHAD 18.10.2028	10%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.02%	0.02%	2.73%	16.73%	26.18%	66.05%
Benchmark*	-0.32%	-0.32%	3.53%	5.19%	12.37%	48.31%
Relative	0.34%	0.34%	-0.80%	11.54%	13.82%	17.74%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities ended the month of January 2021 lower despite the initial gains as sentiment was dragged towards the end of the month with concerns over expensive valuations, the rising number of Covid-19 cases and the slow inoculations of vaccines globally. However, investors should be able to take comfort from better-than-expected United States (“US”) 4Q20 earnings driven by Information Technology and Banks. Macro wise, US gross domestic product declined by 3.5% in 2020 (the first decline since the Global Financial Crisis) and consensus now expects the US economy to grow between 4-5% in 2021. The US Federal Reserve Board has also kept its monetary policy on hold at its January 2021 meeting with no changes to its forward guidance on interest rates and asset purchases as well as indicating that rising inflation would not be a concern for now. Policies are expected to remain accommodative with an expected growth acceleration later this year. During the month, we also saw the tug of war between individuals and professional investors. Retail frenzies drove up the share prices of the likes of GameStop Corp and AMC Entertainment Holdings Inc while some of Wall Street’s titan hedge funds had to lick their wounds following a series of short-squeeze events. The ruckus has also caused some hedge funds to change their shorting strategy to avoid the limelight. Volatility will continue to be high as trading sentiment has become more emotional with retailers ganging up on the hedgies.

At the start of the year, we saw the resumption of regulated short selling on Bursa and the glove counters bore the brunt of sell-down during the first four trading days of the year. Sentiment was further spooked with rising Covid-19 cases and rumors of the reimposition of Movement Control Order (“MCO”). This materialized on 13th January beginning with 6 states but the situation has since deteriorated with cases hitting above 5k per day that has resulted in the whole country (except Sarawak) being placed under MCO. However, the economic losses per day under MCO 2.0 is around 40% less than the earlier MCO as more businesses are allowed to operate in some form. The Yang Di-Pertuan Agong also assented to the Prime Minister’s request to declare a State of Emergency to suspend all political activities until 1st Aug 2021, thereby giving some stability on the political front. On the vaccine side, Malaysia has so far signed agreements equivalent to ~81% of the population to be inoculated with various vaccine manufacturers, but immunization will likely span over several phases beginning with front-liners from March, elderly/those with co-morbidities from May and the rest from August 2021.

The Shariah Index outperformed the broader market by declining the least with a -2.2% month-on-month (“mom”) return while the FBMKLCI was down by 3.7% mom. FBM Emas and FBM Small Cap saw decline by 3.4% and 2.5% mom respectively. KLTEC Index saw a +17.6% mom gain in January 2021 following the record-breaking capex plan commitments by large global foundries.

Regionally, investors will be following closely the roll-out of the vaccination programme in the developed countries particularly in the US as well as prospects of another fiscal stimulus amounting to US\$1.9 trillion by newly-elected President Joe Biden. Domestically, the current high daily Covid-19 cases is straining the healthcare system to a breaking point. There could potentially be more cases involving foreign workers who are yet to be reported as only 15% of the 1.7 million foreign workers have done the mandatory Covid-19 screening since 1st December 2020. Nevertheless, the government has reassured that it will not implement a total lockdown even under the worst-case scenario. With the current state of emergency lasting until August 2021, this provides some sort of political stability until then. We will continue to be invested in both Covid-19 and

recovery beneficiaries, skewing more towards the recovery theme.

Sukuk Market

The trading activities for government bonds (“govvies”) market were more robust with RM74.1 billion traded in January 2021 compared with RM40.2 billion recorded in December 2020. On a monthly basis, the yield curve was steeper in January 2021 as the 3-years and 5-years Government Investment Issues (“GII”) yields declined by about 4 basis points (“bps”) while yields for 15-years, 20-years and 30-years GII increased by 2bps, 7bps and 15bps respectively. The demand for shorter term GII was anchored on bearish sentiments of overall economic prospects given the continued spike in Covid-19 infections during the month. Additionally, the MCO 2.0 and its potential extension have also pressured prospects of economic recovery in the near term. Long end curve was hit by the expectation of a 25bps cut in overnight policy rate (“OPR”) in the Jan 20th Monetary Policy Meeting which did not materialize as central bank held rates steady at 1.75%. Over the final week of January 2021, govvies yield held steady, supported by Moody’s reaffirmation of Malaysia’s sovereign rating.

The sukuk segment saw yields declining month on month across most of the tenors. Interest in the segment was driven primarily by hunts for yield given current low govvies yields. In January 2021, Quasi and AAA bonds accounted for 55% of total traded volume, reflecting the demand for more liquid bonds. As of end January 2021, the spread for AAA 10Y bonds against Malaysia Government Securities of similar tenor stood at 62bps or tighter by 6bps mom. On the primary front, some prominent new issuances for the month were Danga Capital (RM2 billion, AAA) and Cagamas Berhad (RM110 million, AAA).

In the near term, the focus will center on the infection rate of Covid-19 and the MCO which was recently extended to 18 February from the initial 26 January. Additionally, eyes will also be Standard and Poor rating which has Malaysia’s sovereign on a negative outlook. The timeline, progress and efficacy of the nation’s vaccine programme will also exert considerable influence over yield movement. Over the near term, yield could be driven further down on renewed talks of OPR cuts in March 2021 as prolonged lock down may impact economic data and recovery pace which has been reiterated by Bank Negara Malaysia as rate decision factors. We will closely monitor the economic data releases and should strategically take profit when the sovereign market rally.

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

Year	Net Annual Returns
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%
2020	4.43%

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.

such as temporary closure of any Stock Exchange in which the 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 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

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.