

## HLMT i-INCOME FUND

October 2022

### 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 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.

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.

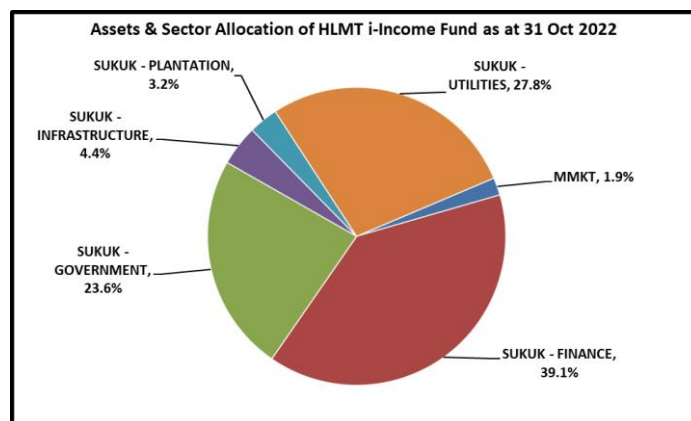
### Fund Details

Unit Price (31/10/2022)	RM 1.6300
Fund Size (31/10/2022)	RM 7.5mil
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

\*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.aspx](http://www.hlmtakaful.com.my/Quick-Links/Fund-Prices.aspx)

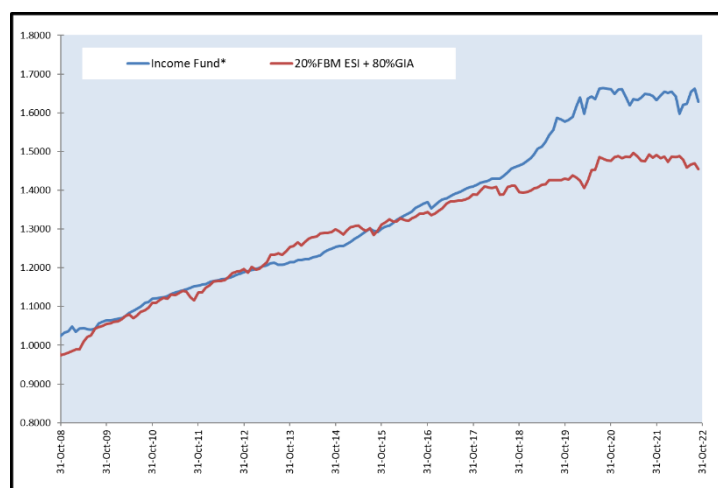
### Assets & Sector Allocation as at 31 October 2022



### Top 5 Holdings as at 31 October 2022

1	TNB POWER GENERATION SDN BHD 02.06.2037	13%
2	RHB ISLAMIC BANK BERHAD 21.05.2029	8%
3	MALAYSIA INVESTMENT ISSUE 04.08.2037	7%
4	AMISLAMIC BANK BERHAD 18.10.2028	7%
5	MALAYAN BANKING BERHAD 31.01.2031	7%

### Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
i-Income	0.13%	-1.45%	-0.15%	3.30%	15.64%	63.00%
Benchmark*	0.77%	-1.47%	-1.73%	2.47%	5.48%	46.57%
Relative	-0.64%	0.02%	1.58%	0.83%	10.16%	16.43%

\*Source: Bloomberg

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

### **Equities Market**

Global equities staged a recovery in October as market is now pinning hopes of smaller rate hikes ahead by the Fed. On the other hand, recession risks are also rising and the US Big Tech earnings have missed expectations amid pressures from weaker consumer demand and a strong USD. Geopolitical tensions continued to escalate between the US and China following US' issuance of restrictions on advanced semi sales to China and US persons employed by Chinese semi firms. The Russia-Ukraine situation appeared to have deteriorate further after the Russian's vicious attacks on critical infrastructure in Ukraine and froze its participation in the Black Sea grain-export programme. Over to China, we saw the conclusion of the 20th Party Congress meeting where President Xi Jinping was being re-elected for the third-term and the Standing Committee was being reshuffled to feature all his allies. China also reiterated its forceful position on international relations, geopolitics and on reunification. These factors led to a further plunge in the Chinese market.

In October, we saw a broad-based recovery for the domestic market. Budget 2023 was tabled on 7th Oct but on 10th Oct the announcement to dissolve the Parliament to pave way for GE15 was made, with the polling date set to be held on 19th Nov. The three best performing sectors in October were healthcare (+15% mom), transport (+12% mom) and plantation (+6% mom). The top three worst performing sectors were technology (-4% mom), construction (-1% mom) and REIT (-1% mom).

Average daily trading value fell to RM1.7b in October from RM1.8b in September. Foreign institutions remained net sellers - RM594m (Sep: -RM1.6b) while local institutions stayed as the largest net buyers with +RM885m (Sep: +RM1.1b). Local retailers turned net sellers of -RM133m in October. Retailers, local institutions and foreign institutions accounted for 25%, 46% and 29% respectively of value traded. The 4 major indices recovered in October with FBM KLCI leading the broader market. FBM Shariah was up by 4% mom underperformed FBM KLCI's +4.7% mom. FBM Emas and FBMSC was +3.8% mom and +4.2% mom respectively.

On the global front, the key focus events will include the FOMC meeting, US mid-term elections and the G20 Summit (potential meeting between President Xi Jinping and President Biden). Investors will continue to track closely the ongoing developments in the Russia-Ukraine war and its impact on commodity prices. As for domestic key events, 1) the recent MPC meeting saw BNM hiked rates by another 25bps, 2) the outcome of GE15 which is expected to be market neutral and 3) 3Q earnings reporting season which should continue to see cost pressures. We remain defensive, investing in both value and growth. Sectors that we continue to favour include selected recovery/reopening names (consumers with pricing power) and 5G/ technology (easing of supply chain bottlenecks).

### **Sukuk Market**

In the month of October, the yields of the local govvnies continued to track the trend in the US, particularly in the shorter tenures. The GII yields on the 3-, 5- and 10-years tenors increased by 9, 10 and 3bps respectively. Meanwhile, longer tenures such as the 15Y and 30Y note decreased by 2bps and 8bps respectively, owing to less severe inflationary pressure than the US. Inflationary pressure remained above the 3% comfort level albeit slightly declining to 4.5% in September against 4.7% in the prior month. The recently announced budget was neutral as it had little impact on the sukuk/bond market. Though quelling concerns of the need of larger than expected debt issuances or negative rating actions from international credit rating agencies, we are of the view that the deficit forecast is reflected in the current levels. In the corporate sukuk/bond segment, some prominent new issuances during the month are Amanat

Lebuhraya Berhad (RM5.5 billion, AAA), Danainfra (RM2.0 billion, GG), Cagamas (RM1.4 billion, AAA) and UOB Malaysia Bhd (RM1.0 billion, AAA).

In the near term, the local market will likely be influenced by the movements in UST and any indications of an impending dovish tilt by the Fed which will cause the UST to soften. Thus, close attention will be directed to labour market indicators as the Fed has hinted to the market and reminded them of its dual mandate. We think a pivot is inevitable as the current aggressive tightening path may eventually lead the economy to a recession. The question is rather about when will signs of weakness in the labour market and spending levels emerge and what would be a tolerable decline before the Fed begins to change its direction. To that end, we will continue to vigilantly monitor relevant economic data to approximately gauge the pivot timeline.

Domestically, BNM recently hiked the OPR by 25bps on 3rd November and we believe BNM still has room to increase rates further. The economy has been on a strong footing and all bets point to a strong 3Q GDP number of close to 10% y-o-y growth. A wildcard in the current environment would be the upcoming general election where the outcome could influence market sentiments and subsequently bond yields. We opine that market will remain volatile as investors are still searching for a clear direction. Since we are on dollar cost averaging strategy, we will continue to nibble in primary market for yield enhancement and to take a bigger position should there be any sell off in the market.

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

Year	Net Annual Returns
2017	4.25%
2018	3.88%
2019	7.81%
2020	4.43%
2021	-0.37%

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.