

# HLMT i-INCOME FUND

September 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

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.

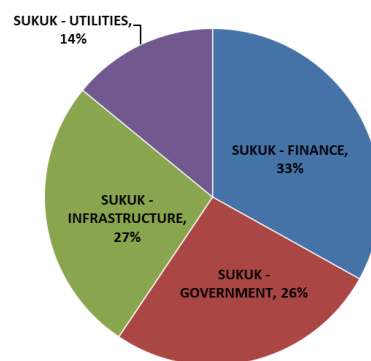
## Fund Details

Unit Price (30/09/2021)	RM 1.6432
Fund Size (30/09/2021)	RM 6.0mil
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

\*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy 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)

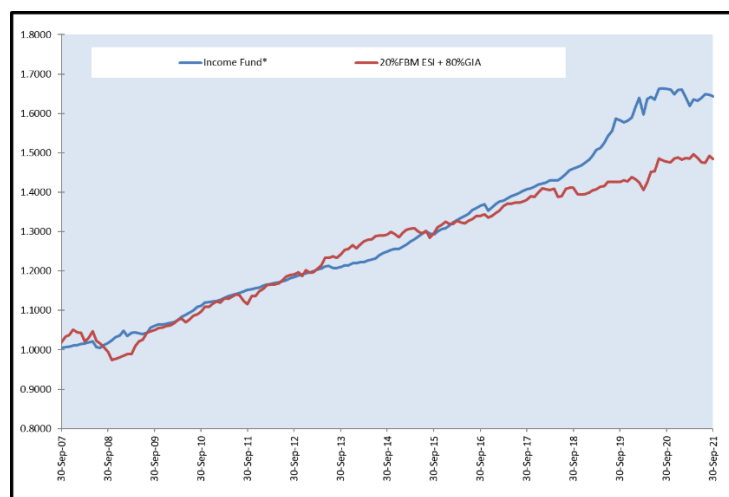
Asset & Sector Allocation of HLMT i-Income as at 30 September 2021



## Top 5 Holdings as at 30 September 2021

1	RHB ISLAMIC BANK BERHAD 21.05.2029	10%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	9%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	9%
4	MALAYAN BANKING BERHAD 31.01.2031	9%
5	AMISLAMIC BANK BERHAD 18.10.2028	8%

## Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	-0.26%	-1.02%	-1.12%	12.51%	20.37%	64.32%
Benchmark*	-0.47%	-0.22%	0.49%	5.21%	10.79%	48.47%
Relative	0.21%	-0.80%	-1.61%	7.30%	9.58%	15.85%

\*Source: Bloomberg

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

### **Equities Market**

Developed markets came under pressure towards the end of the month on the back of rising bond yields which led to a sell-off in equities. The recent Federal Open Market Committee ("FOMC") meeting saw Federal Reserve ("Fed") Chair Powell indicate that the Fed may start tapering asset purchases during its November 2021 meeting, provided United States ("US") jobs growth in September 2021 is "reasonably strong". China again underperformed its peers after its troubled property developer, Evergrande, reportedly failed to make a coupon payment on its US dollar ("USD") bond obligations. Sentiment was further dampened when China's power supply rationing worsened with more curbs being imposed amidst coal shortages and commitments to climate change. These led to concerns that there will be downward pressure on its economic growth expectations. During the month, oil price hit a high of USD75.12 / barrel (+9.6% year-on-year) as global supplies tightened due to the fast recovery of demand in fuel from the Covid-19 outbreak and Hurricane Ida's hit to US production.

Domestically, following the appointment of the 9th Prime Minister in August 2021, both the government and opposition Pakatan Harapan leaders agreed to the signing of the Memorandum of Understanding for Transformation and Political Stability. This provides some form of political stability at least until end July 2022. However, investor sentiment was hit due to concerns over the government's plans to waive 3 months of interest on moratorium for low-income borrowers, murmurs on capital gains and windfall tax. The 12th Malaysia Plan was tabled in Parliament and the plan targets gross domestic product ("GDP") growth of 4.5%-5.5% per annum from 2021 till 2025, driven by private consumption and external trade, and gross national income ("GNI") per capita to hit RM57,882 by 2025. Bank Negara Malaysia ("BNM") in the recent Monetary Policy Committee ("MPC") meeting kept the Overnight Policy Rate ("OPR") unchanged at 1.75%. Malaysia continued to make good progress on its daily Covid-19 cases which fell from >20k to around 13k as at end September 2021. 62% of Malaysia's population (or 86% of adult population) has been fully vaccinated as at 30th September 2021.

Average daily trading volumes and value grew 13% month-on-month ("mom") and 20% mom to 4.7b units and RM3.3b in September 2021. Foreigners remained net buyers of RM0.7b of Malaysian equities in September 2021 but this was offset by net selling of RM1.9b by local institutional investors in September 2021. Retail investors reclaimed their position as the largest net buyers and net bought RM0.9b of equities in September 2021. The best performing sectors in September 2021 were technology, industrial production and transport sectors while the worst performing sectors were healthcare (led by gloves) and plantation. For the month, FBM ESI declined by 3.07% mom while FBM KLCI and FBM Emas retreated by 3.97% mom and 2.72% mom respectively. FBM SC bucked the trend with an increase of 0.83% mom in September 2021.

Markets are likely to remain volatile as we enter into the final quarter of 2021. Expectations for a full recovery from the pandemic may be misplaced, fanning fears of a mix of weaker growth and faster inflation to come. These factors may complicate the nascent efforts by central banks to dial back stimulus without rattling markets. Regionally, market participants will monitor closely the developments surrounding the Evergrande debt crisis, The Organization of the Petroleum Exporting Countries ("OPEC") meeting on 4th October 2021 and the progress on re-opening in the US and Europe. Domestically, key events in October 2021 would include the tabling of Budget 2022 and takeaways from the Parliament sittings. We maintain our barbell strategy by investing in both the value and growth sectors, with focus still on the recovery / reopening theme, reflation beneficiaries and 5G / technology names.

### **Sukuk Market**

In September 2021, local government bond ("govvies"), Malaysia Government Security ("MGS") and Government Investment Issue ("GII") traded weaker alongside a broader sell-off in global sovereign bonds during the month. MGS yields were 6 basis points ("bps") to 25 bps higher, with the belly of the curve underperforming. The weak sentiment started when BNM left its OPR unchanged at 1.75%. Despite the neutral MPC Meeting statement, govvies yields still traded upwards as investors weighed the negative headlines surrounding potential default by Chinese property developer Evergrande against the Fed's and Bank of England ("BoE") policy meetings that hinted clearly at asset tapering.

In the corporate bonds segment, the government guaranteed ("GG") curves were marked higher similar to that of govvies move. However, the performance of the rated-credits was mixed with some lower rated bonds still laggards with yields moving lower in September 2021. Some prominent new issuances during the month were Cagamas Berhad (RM2.05b, AAA), Lembaga Pembiayaan Perumahan Sektor Awam (RM4b, GG) and UEM Sunrise Berhad (RM440m, AA-).

Over the past few weeks, the major themes in the market were driven by the hawkishness of the Fed as well as BoE, which has brought forward rate hike expectations. Nonetheless, quantitative easing ("QE") taper still hinges on continued job growth as guided by Fed. The next employment report is crucial as it could potentially trigger the central bank to start QE taper. Hence, US treasury ("UST") yields are expected to trade rangebound with upside bias ahead of the next employment data release.

As for Malaysia, the 2022 budget announcement due in October 2021 will be the headline risk event for local bonds. The budget announcement will include next year's fiscal deficit targets as well as an update on raising the existing debt ceiling level of 60% to 65% as proposed by the finance minister in July 2021. Market will also be cautious of an overly-optimistic figure, after this year's budget shortfall target was revised twice. Sentiment in the local bond market would be bearish bias in our view as vaccination progress continues, and reopening of various businesses and economic activities gather momentum. Hence, we remain cautious on the sukuk market but we will still cherry pick especially on short tenure primary sukuk for yield enhancement.

### **Actual Annual Investment Returns based on published price 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 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.