

## HLMT i-INCOME FUND

Sep 2023

### 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 80% 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.

#### 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 (30/09/2023)	<b>RM 1.7506</b>
Fund Size (30/09/2023)	<b>RM 9.3 mil</b>
Fund Management Fee	<b>1.00% p.a</b>
Fund Manager	<b>Hong Leong Assurance Berhad</b>
Fund Category	<b>Sukuk</b>
Fund Inception	<b>April 2007</b>
Benchmark	<b>20% FBM Emas Shariah Index + 80% GIA</b>
Frequency of Unit Valuation	<b>Daily</b>

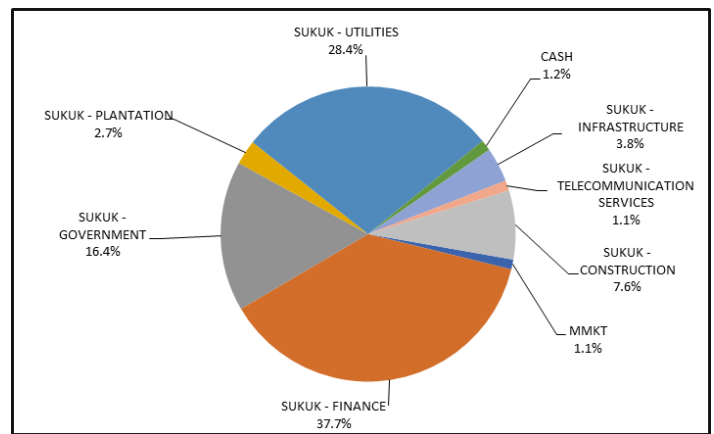
\*The company reserves the right to change the Fund Management Fee (% p.a.) by giving the Certificate Owner ninety (90) days prior written notice.

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

### Asset Allocation as at 30 Sep 2023

Sukuk	97.7%
Islamic Deposit & Cash Equivalents	2.3%
<b>Total</b>	<b>100.0%</b>

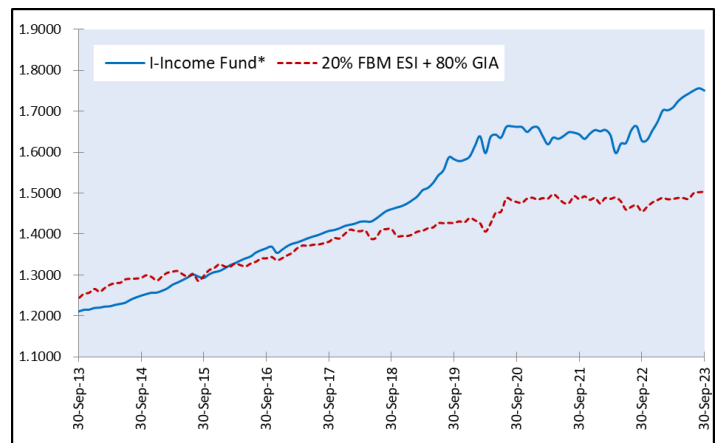
### Sector Allocation as at 30 Sep 2023



### Top 5 Sukuk Holdings as at 30 Sep 2023

Rank	Holder	Percentage
1	TNB Power Generation Sdn Bhd 02.06.2037	11.5%
2	Gamuda Berhad 20.06.2030	7.6%
3	RHB Islamic Bank Berhad 21.05.2029	6.5%
4	Projek Lebuhraya Usahasama Bhd 12.01.2038	5.7%
5	Malaysia Investment Issue 04.08.2037	5.7%

### Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
<b>i-Income</b>	<b>-0.31%</b>	<b>4.58%</b>	<b>7.53%</b>	<b>5.34%</b>	<b>19.86%</b>	<b>75.06%</b>
<b>Benchmark*</b>	<b>0.09%</b>	<b>1.38%</b>	<b>3.33%</b>	<b>1.71%</b>	<b>6.48%</b>	<b>50.29%</b>
<b>Relative</b>	<b>-0.40%</b>	<b>3.20%</b>	<b>4.20%</b>	<b>3.63%</b>	<b>13.38%</b>	<b>24.77%</b>

\*Source: Bloomberg

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

### **Equities Market**

During the month, global equities fell following a continued increase in the US treasury yields to levels last seen in 2007. This coupled with a higher dot plot in the recent Fed minutes led to expectations of either more interest rate hikes or higher-for-longer rates. US CPI inched up further to 3.7% yoy in August 2023, above market expectation, as compared to 3.2% yoy in July 2023. On the other hand, US unemployment rate, one of the key factors in determining the interest rate direction, rose to 3.8% in August 2023 as compared to 3.5% in July 2023. US September Composite PMI maintained at 50.2 mom, as manufacturing PMI improved netted off with weaker services PMI. Moving to China, market retraced for a second consecutive month due to lackluster sentiment on the economy particularly on the property sector caused by the ongoing Evergrande crisis. Nonetheless, several data such as retail sales, industrial profits, and PMIs have shown progressive improvements. Brent oil gained for the fourth consecutive quarter in September by +9.8% mom to USD95.34/bbl owing to ongoing cuts by OPEC+ and moving into seasonally slower oil production months.

Domestically, it was a month of heavier news flow with some soundbites ahead of the upcoming 12th Malaysia Plan such as capital gains tax, luxury tax, consumption tax, and introduction of targeted subsidies. No details were unveiled at this juncture. There was also some speculation of a potential Cabinet reshuffle before Budget 2024 but this was dismissed by PM Anwar Ibrahim. Upcoming anticipated initiatives are the Budget 2024 and the Fiscal Responsibility Act.

Average daily trading value rose to RM2.38b in September as compared to RM2.18b a month ago. Foreign investors were net buyers for the third consecutive month at +RM674m in September, narrowing YTD foreign equity outflow to -RM1.96b. Economically, Malaysia's industrial production rebounded with a growth of 0.7% yoy in July as compared to a contraction of -2.2% yoy in June. August CPI was flat at 2.0% yoy, similar to July's reading. As such, BNM kept its Overnight Policy Rate unchanged at 3.00% during the September 2023 meeting. In September, the FBM Shariah, which declined by -0.42% m-o-m, outperformed the FBM KLCI that had a negative return of -1.91% m-o-m. Other than that, the FBM Emas declined by -1.48% m-o-m while the FBMSC was the only benchmark that rose by +0.72% m-o-m during the month.

Globally, investors will continue to digest new economic data while keeping a close watch on FOMC members' narrative regarding future interest rate direction. Geopolitically, there were few meetings conducted recently between US and China but were not significant enough to alter the current Sino-US tension. As for HK/China markets, the China government continued to release supportive measures for its property sector while trying to minimize contagion risk to the banks and wider economy. Domestically, attention would be focused on the upcoming initiatives, as mentioned above, and its impact towards our economy. We remain defensive, investing in value, growth and dividend-yielding names. Sectors that we continue to favour include selected recovery/reopening names (travel and selective commodities), utilities (defensive with yield) and 5G/ technology (trade diversion).

### **Sukuk Market**

In September, local sukuk continue to face selling pressure due to rising global yields amid low liquidity in the market. Sentiment was largely influenced by external factors, particularly bearish moves and de-risking strategies in the US market, leading to stop losses. As widely anticipated, BNM maintained the OPR unchanged. The MPC statement seemed to lean towards a dovish bias, focusing more on growth risks than inflation, indicating BNM's comfortable "hold" position. At the month-end, the 3-, 5-, 10-, and 30-year GII

settled at 3.579% (+12bps), 3.809% (+17bps), 4.017% (+12bps), and 4.489% (11bps), respectively.

In the corporate sukuks/bonds segment, some prominent new issuances during the month were OSK Rated Bond Sdn Berhad (RM500 million, IS), Press Metal Aluminum Holdings Berhad (RM500 million, AA2) and YTL Corporation Berhad (RM625 million, AA1).

With the hawkish outlook delivered in the FOMC meeting and the Fed Implied Rate Dot plot signaling no more rate cuts for at least one year, we expect the UST continues to be bearish, exacerbates by the political uncertainty in the US government. While a last-minute compromise deal by Congress preventing a government shutdown might reduce some uncertainty in the near term. It essentially feels like kicking the can down the road, albeit just a short distance until Nov 17.

On the local front, we believe that BNM's OPR has pretty much peaked, and sentiments will largely be driven by macro developments. Assessments on Malaysia's growth appear cautious but neutral, with domestic demand remaining the key driver of growth and fewer concerns about inflation risk. This suggests that OPR could possibly remain at 3.0%. Overall, the bond market should be volatile with a slightly cautious tilt in risk sentiments, especially after adopting the narrative for US rates to stay higher for longer with US inflation still on its declining journey. Considering these factors, we are of the view that any dip in prices presents a good opportunity to invest at a cheaper valuation and we will continue to focus on primary issuances for yield pickup.

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

<b>Year</b>	<b>Net Annual Returns</b>
2018	3.88%
2019	7.81%
2020	4.43%
2021	-0.37%
2022	1.21%

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.