

## HLMT i-INCOME FUND

October 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.

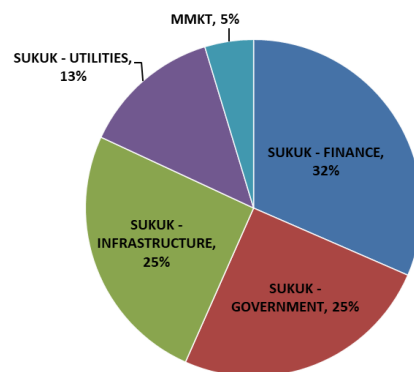
### Fund Details

Unit Price (31/10/2021)	<b>RM 1.6324</b>
Fund Size (31/10/2021)	<b>RM 6.0mil</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 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)

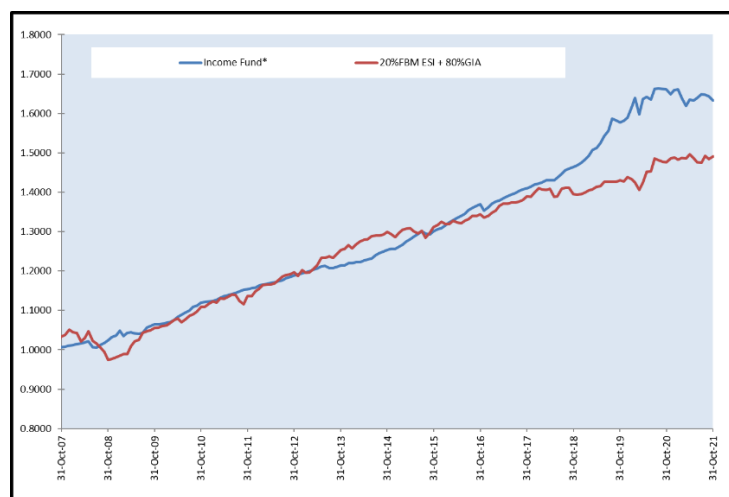
Asset & Sector Allocation of HLMT i-Income as at 31 October 2021



### Top 5 Holdings as at 31 October 2021

1	RHB ISLAMIC BANK BERHAD 21.05.2029	10%
2	GOVERNMENT 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	-0.66%	-1.67%	-1.73%	11.46%	19.25%	63.24%
Benchmark*	0.45%	0.23%	1.08%	6.95%	11.02%	49.15%
Relative	-1.11%	-1.91%	-2.81%	4.50%	8.23%	14.09%

\*Source: Bloomberg

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

### **Equities Market**

Developed markets trended higher on the back of a strong third quarter reporting season despite global supply chain concerns. Sentiment in the United States ("US") was also lifted when President Joe Biden announced a framework for the US dollar ("USD") 1.75 trillion spending deal which is expected to be easier to pass. New spending bills should help accelerate economic momentum and lend further support to equities despite tapering jitters. China's Evergrande which successfully delivered its interest payment and avoided a debt default helped stem market edginess. While global commodity prices remain elevated, it had retraced from the peak following China's plans to intervene in the high coal prices. During the month we saw further deterioration in US China relations ahead of President Biden and Xi Jinping's virtual meet later this year. This was following a recent hearing by US lawmakers which may lead to laws being enacted next year resulting in the delisting of Chinese companies trading in the US. The US Federal Communications Commission ("FCC") has also voted to revoke licenses held by China Telecom and pledged more steps to purge the US market of Chinese tech firms in the name of national security.

As for the domestic market, October 2021 was a relatively good month where economic reopening continued to gain momentum. Further easing of movement restrictions on the back of the improving Covid-19 situation and a stable political situation lent support to the overall market recovery. Vaccination rates continued to inch up, with close to 95% of adult population in Malaysia having completed their vaccination as at end October 2021. All sectors except healthcare posted gains in October 2021. The best-performing sectors in October 2021 were property, energy and plantation sectors whilst the worst performing sectors were healthcare, utilities and telecom sectors. The property sector also saw strong momentum in October 2021 following expectations of strong new sales as the economy reopens. On the economic front, Malaysia's Consumer Price Index ("CPI") increased by 2.2% year-on-year ("yoy") in September 2021 led by a rise in the transport component.

Average daily trading value declined to RM2.9b in October 2021 from September 2021 RM3.1b. Retailers were net buyers +RM0.3b whilst local institutions stayed net sellers -RM1.9b. Foreigners remained net buyers +RM1.6b. Retailers and local institutions accounted for 32.9% and 28.4% of value traded. Foreign institutions accounted for 20.9% of value traded. FBM ESI was up by 1.9% month-on-month ("mom"), outperforming the FBM KLCI's +1.6% mom. FBM Emas was up by 2.2% mom while FBM SC was the strongest performing index with a +7% gain mom.

Markets are likely to remain volatile in the near term following the outcome of the recent Federal Open Market Committee ("FOMC") meeting to begin tapering from November 2021. As for the local market, the introduction of a higher tax rate of 33% for company profits that exceeded RM100m and a higher stamp duty rate on trades for the Malaysia market in Budget 2022 have dampened sentiment as it will lead to downward earnings revision in 2022. The upcoming results reporting season for the July to September 2021 quarter is also expected to be lacklustre. 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**

The government bonds, Malaysia Government Security ("MGS") and Government Investment Issue ("GII") continued with bloodshed alongside a broader sell-off in global sovereign bonds during the month of October 2021. The GII yield curve bear flattened with yield rising by 7 to 26 basis points ("bps") mom, with the long-end curve outperforming. Heavy supply

schedule on both government bonds and government guaranteed ("GG") space coupled with uncertainty in Budget 2022 figures, also contributed to the overall weakness in the local bond market.

In the corporate bonds segment, the GG curves were marked higher similar to that of government bonds. Most of the rated-credits curves were shifted higher with the exception of the bank papers where yield moved a tad lower in October 2021. Some prominent new issuances during the month were Cagamas Berhad (RM1.0b, AAA), Danainfra Nasional Berhad (RM1.9b, GG), Gamuda Land Sendirian Berhad (RM400m, AA3), Malaysian Resources Corporation Berhad (RM600m, AA-), Bank Pembangunan Malaysia Berhad (RM450m, AAA), Pengurusan Air Selangor Sendirian Berhad (RM1.0b, AAA), Maybank Ageas Holdings Berhad (RM1.0b, AA2), Bank Simpanan Nasional Berhad (RM750m, AAA).

The recent sell-off in the global bond market was mainly driven by the fear of global inflationary factors that drove investors to pare down duration and lead to bear flatten curve. Global bond yields lead by US Treasury ("UST"), is expected to be on flattening bias as overall sentiment remains weak amid the threat of persistently high inflation coupled with central banks tightening.

As for Malaysia, Budget 2022 suggested that the government will resume its consolidation path from 2022 onwards, guiding a lower budget deficit of RM97.5b / 6.0% of gross domestic product ("GDP") (2021 estimation: RM98.8b / 6.5% of GDP). The budget implied a lower estimated gross MGS / GII issuance in 2021 of RM160b. This translates to an estimation of an average size of RM4b each for the remaining five auctions. These average auction sizes are palatable compared to the larger auction amount issued earlier in the year 2021, a marginal positive alleviating some pressure on the curve.

Our near-term strategy is to remain cautious on the sukuk market but we will still cherry pick especially on short tenure primary sukuk for yield enhancement. Looking ahead to 2022, economists forecasted the gross issuance of MGS / GII to be in the range of RM165b to RM170b, which is relatively larger than 2021 estimation. With this, there may be an opportunity to bargain hunt should supply pressure surface ahead of and during primary auctions especially if the issuances are front-loaded next year.

### **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.