

## HLMT i-INCOME FUND

Feb 2024

### 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 (29/02/2024)	<b>RM 1.7993</b>
Fund Size (29/02/2024)	<b>RM 11.1 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.

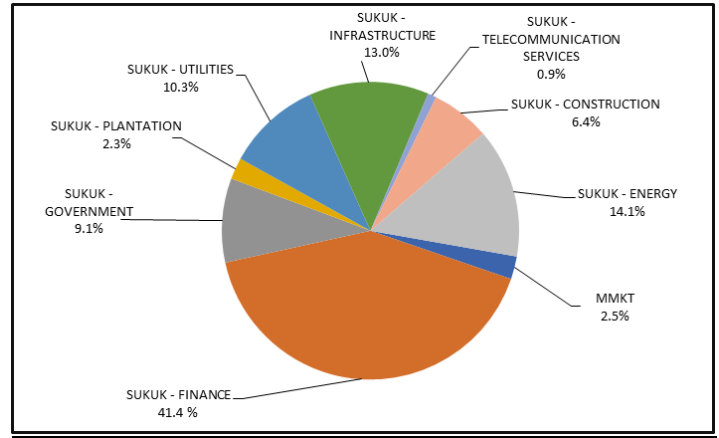
\*Investment-linked unit price will be updated and published daily in our corporate website. Please refer to our website

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

### Asset Allocation as at 29 Feb 2024

Sukuk	97.5%
Islamic Deposit & Cash Equivalents	2.5%
<b>Total</b>	<b>100.0%</b>

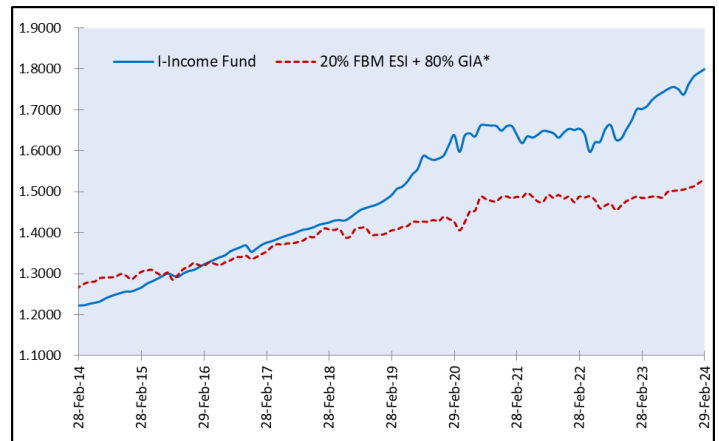
### Sector Allocation as at 29 Feb 2024



### Top 5 Sukuk Holdings as at 29 Feb 2024

Rank	Company Name	Percentage
1	TNB Power Generation Sdn Bhd 02.06.2037	9.9%
2	Plus Berhad 12.01.2038	9.8%
3	CIMB Islamic Bank Berhad 29.11.2030	6.8%
4	Gamuda Berhad 20.06.2030	6.4%
5	RHB Islamic Bank Berhad 21.05.2029	5.4%

### Historical Performance



	1 Month	YTD	1 Year	3 Year	5 Year	Since Inception
<b>i-Income</b>	<b>0.43%</b>	<b>0.95%</b>	<b>5.71%</b>	<b>9.74%</b>	<b>20.60%</b>	<b>79.93%</b>
<b>Benchmark*</b>	<b>0.51%</b>	<b>1.10%</b>	<b>3.05%</b>	<b>2.85%</b>	<b>8.84%</b>	<b>52.95%</b>
<b>Relative</b>	<b>-0.08%</b>	<b>-0.15%</b>	<b>2.66%</b>	<b>6.89%</b>	<b>11.76%</b>	<b>26.98%</b>

\*Source: Bloomberg

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

### **Equities Market**

During the month, global equities continued to move up for a fourth consecutive month driven by a relatively good set of earnings release and AI frenzy. US Jan CPI of +3.1% yoy was higher than market's expectation due to stubbornly high shelter prices. Following the CPI beat, market further revised down their expectations on rate cuts to match that of the Fed's 2024 75bps rate cut guidance. As such, calls for a soft-landing has become more mainstream with market reaching new highs in the US. As for China equities, the market recovered some of its losses in January on the back of some positive news such as stock market rescue measures, a larger than expected loan prime rate cut and a better-than-expected Lunar New Year's consumption data. In addition, Brent oil continued its rebound by +3.2% m-o-m in February underpinned by slowing non-OPEC supply growth, persistent underproduction from several OPEC+ producers and ahead of an OPEC+ decision in March.

Domestically, all eyes were on 4Q23 earnings release and the Ringgit's weakness. Positively, the recent 4Q23 earnings release saw sustained momentum in that at least 70% of KLCI companies that reported came within or above market expectations. Meanwhile, the Ringgit's continued depreciation was primarily due to the strengthening of the USD, and uncertainties surrounding China's economic growth. But, more importantly, exports have been sliding and other pillars of the Balance of Payments have been weak as well. The continuous exports contraction has narrowed MY's current account balance to 1.2% of GDP in 2023 – the lowest level since AFC.

During the month, trading activities took a slight breather with average daily trading value decreasing to RM2.7b in February as compared to RM3.2b a month ago. It was foreigners that continued to support the market with a doubling of foreign net buy inflows of RM1.3 billion compared to January 2024. Economically, Malaysia released the final 4Q23 GDP print that grew lower at 3.0% yoy than previously indicated at 3.4% yoy. With that, full year 2023 GDP numbers were revised down to 3.7%, missing government's estimates of 4-5% growth. In February, the FBM Shariah gained by +2.22% m-o-m, slightly lower than FBM KLCI which registered a positive return of +2.54% m-o-m to close at 1,551.4 points. FBM Emas increased by +2.21% m-o-m whilst FBMSC climbed only +0.35% m-o-m.

Globally, investors are waiting in anticipation on the timing of US interest rate cuts in 2024, which is largely dependent on upcoming macro data releases. Geopolitically, market continues to watch the primaries wins in the US where the previous president Donald Trump seems to be gaining ground. As for HK/ China markets, investors have their eyes on the upcoming 2024 China's National People's Congress for 2024 economic targets and any potential stimulus announcement although expectations are low. Domestically, attention will be focused on the implementation of announced initiatives by the government and the potential announcement of several key infrastructure projects such as JS-SEZ, Penang LRT, Phase 1B of Pan Borneo Highway Sabah, and Sabah Sarawak Link Road Phase 2. We remain defensive with our strategy being tilted towards dividend-yielding names. Sectors that we favour include financials (banks), transport, construction, utilities and commodities (Metals/Oil & Gas).

### **Sukuk Market**

In February 2024, local government securities (govvies) faced pressure due to a weakened Ringgit and elevated global yields. The higher USDMYR led to continued weakness in foreign holdings of govvies, with January 2024 outflows widening to RM5.1 billion from RM2.1 billion in December 2023. However, this overall foreign outflow had minimal impact on the govvies curve, as it was primarily concentrated at the front end. Govvies yields remained tightly range-bound compared to US Treasuries ("UST"). At month-end,

the 3-, 5-, 10-, and 30-year GII settled at 3.515% (+5bps), 3.656% (+5bps), 3.881% (+4bps), and 4.321% (0bps), respectively.

In the corporate sukuk segment, notable new issuances during the month included Pengurusan Air SPV Berhad (RM 1.1 billion, AAA), Bank Simpanan Nasional Berhad (RM 1.0 billion, AAA), UEM Sunrise Berhad (RM 500 million, AA- IS), and United Overseas Bank (Malaysia) Berhad (RM 500 million, AA1).

With the Fed showing reluctance to loosen its monetary policy, bearish momentum in UST may persist until visible supportive catalysts emerge in the near term. A desirable scenario would involve US inflation easing closer to 2.0% (currently at 3.1%), providing the Fed with greater confidence in its rate-cutting decisions. The upcoming FOMC meeting will be crucial, as a less hawkish stance could lead to a reversal in rates, especially given the recent significant weakening of UST.

Domestically, the weaker Ringgit will likely continue to weigh on Ringgit sukuk performance, particularly on the short end if foreign outflows persist. Additionally, potential headwinds from the global macroeconomic environment, such as repriced US rate cuts as low as 75bps for 2024, may offer relatively higher investment yields. However, there is not excessive concern, as strong support has been observed from onshore real money investors for duration and credit risks. Yields on long-end sukuk remain stable, while credit spreads on Government Guaranteed ("GG") papers have trended lower into single digits recently. Given the tight credit spread to the Malaysian Government Securities ("MGS"), this may incentivize participants to favor the more liquid MGS. With this backdrop, we maintain a neutral view on the Ringgit sukuk market. However, we will continue to participate in primary corporate sukuk for yield enhancement and to address the strategic asset allocation (SAA).

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

<b>Year</b>	<b>Net Annual Returns</b>
2019	7.81%
2020	4.43%
2021	-0.37%
2022	1.21%
2023	6.48%

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.