HongLeong MSIG Takaful

HLMT i-EQUITY FUND

October 2018

Fund Features

1. Investment Objective

The objective of HLMT i-EQUITY FUND (“The Fund”) to achieve long-term capital growth through investment in Shariah-compliant securities of listed companies.

2. Investment Strategy & Approach

Investments are on Shariah-Compliant securities that offer good medium-term earnings growth. The Fund may invest up to 95% of its assets in such companies.

3. Asset Allocation

The Fund may invest up to 95% of its assets in Shariah-Compliant Equities and maximum 50% of its assets in Islamic Fixed income securities or cash.

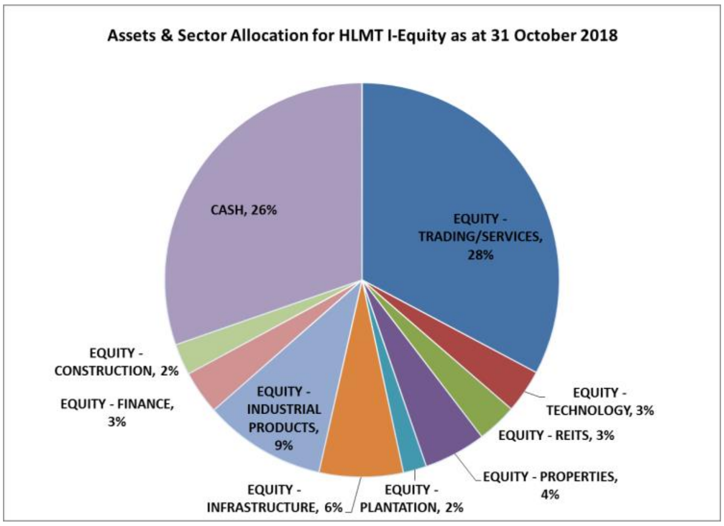
Asset	Ranges
Shariah-Compliant Equities	50%-95%
Islamic Fixed income securities/cash	5%-50%

4. Target Market

This fund is suitable for those who have a high-risk appetite with long-term investment goals.

Fund Details

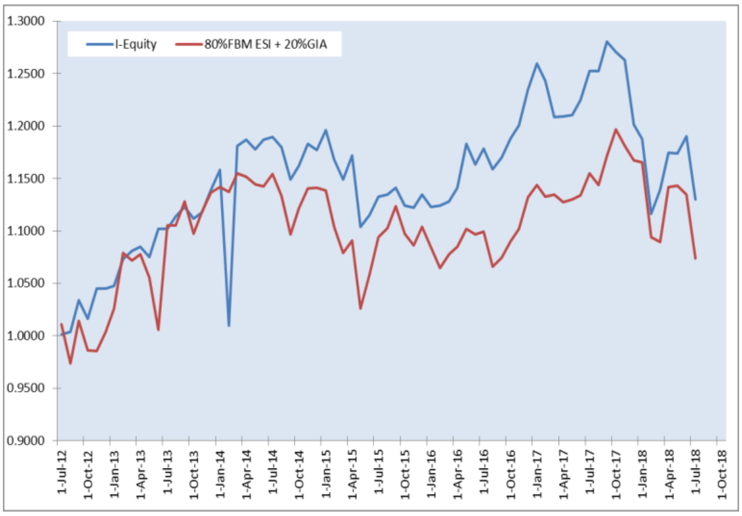
Unit Price (31/10/2018)	**RM 1.1300**
Fund Size (31/10/2018)	**RM 16,755,878.96**
Fund Management Fee	**1.50% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Equity**
Fund Inception	**July 2012**
Benchmark	**80% FBM Emas Shariah Index + 20% GIA**
Frequency of Unit Valuation	**Daily**



Top Holdings

1	PUBLIC ISLAMIC BANK BHD	26%
2	TENAGA NASIONAL BHD	8%
3	YINSON HOLDINGS BHD	3%
4	DIALOG GROUP BHD	3%
5	DIGI.COM BHD	3%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Balanced	-5.06%	-6.48%	-9.76%	-0.09%	0.50%	2.39%
Benchmark	-5.40%	-5.36%	-7.02%	-0.63%	-0.58%	1.97%
Relative	0.34%	-1.12%	-2.74%	0.56%	1.08%	0.42%

Market Review, Outlook & Strategy

Equities Market

The month started off on a weak footing with the International Monetary Fund cutting global growth for 2018 and 2019 to 3.7% from 3.9% citing rising trade tensions and stress in the emerging markets. The US-China trade tension escalated further during the month with US President Trump threatening to impose tariffs on US$267b worth of additional Chinese imports if Beijing retaliates. Sentiment was also weighed down when China's economic data points indicated that the overall economy was slowing down. 3Q18 GDP growth came in at 6.5% from 6.7% in the previous quarter, while the PBOC attempted to increase liquidity by cutting bank cash reserves and lowering financing costs. China then allowed its Yuan to depreciate further, adding to more negative pressure for emerging currencies. Oil price also took a breather during the month as Saudi Arabia's Prince Salman continued to pledge adequate supply of crude to markets despite growing protestations over the killing of journalist Jamal Khashoggi.

Back in Malaysia, the worsening external environment with continued outflow from Emerging Markets also derailed sentiment. The situation was made worse during the Government of Malaysia's investor conference – Malaysia A New Dawn - where the Finance Minister reiterated that Budget 2019 would be difficult and required sacrifices with the potential introduction of new taxes. GDP growth is also expected to moderate to 4.5-5.5% (from 5-6%) over 2018-2020, a wider budget deficit of -3% of GDP in 2020 and reduction of development expenditure from RM260b to RM220b. The expenditure would focus on infrastructure and economic enablers with over 4,000 ongoing projects to continue building affordable houses, schools, hospitals and roads. Mega projects meanwhile came under scrutiny again with the latest casualty being the Gamuda-MMC underground portion for MRT2 initially cancelled but subsequently renegotiated downwards after some last minute horse-trading.

FTSE Emas Shariah declined by 7.2% mom to 11,771.78pts underperforming the FBM KLCI's decline of 4.7% mom. The broader market was also weak with the FTSE Small Cap Index down by 11.4% mom and FTSE Emas also declined by 6.1% mom.

On the external front, investors will be keeping a close watch on the US decision to re-impose oil-related sanctions on Iran on 4th November and the outcome of the US mid-term elections on 6th November. Domestically, investors will also be following closely the upcoming 2019 Budget which will be tabled on 2nd November, the 3Q18 earnings season and GDP growth releases. Markets are expected to continue being volatile. As such we will maintain our defensive strategy and invest in dividend yielding blue chip stocks with some certainty of earnings.

Fixed Income Market

The U.S. Treasury (UST) market experienced wild swings in October, stemming from concerns over the prospect of rising interest rates and the rout across global equity markets. Geopolitical risks and rising US government debt also contributed to the volatility that propelled the 30-year UST yield to end 18bps higher at 3.39%, while 10-year UST yield also closed 8bps higher at 3.14%. The surge in UST yields has also prompted a rise in government bond yields across the globe and Malaysian govvies were not spared. MGS benhcmark yields ended between 3-12bps higher in October on the back of tepid flows. However, losses were pared by month-end rebalancing activities, sending yields 2-9bps lower across the curve with strong buying interest on the 10-year MGS benchmark.

Meanwhile, corporate bonds and sukuk saw better demand as secondary volume improved at RM13.2 billion from the prior month's RM9.5 billion. Credit spreads tighthened within 1-9bps across the tenure. The GG curve ended the month slighly steeper as as the short to belly of the curve increased 1-2bps while the long-end rose 5bps. The AAA yields remained largely unchanged. The prominent new issuances during the month include Cagamas Bhd, HSBC Amanah Malaysia Bhd, Public Bank Bhd, Perbadananan Kemajuan Negeri Selangor , AmBank Islamic Bhd, UEM Sunrise Bhd, CIMB Group Holdings Bhd, CIMB Bank Bhd, Serba Dinamik Holidings Bhd, Affin Islamic Bank Bhd and Telekom Malaysia Bhd.

Bond Market Outlook

UST yields have been surging higher fuelled by solid U.S. economic data that reinforced expectations of multiple interest rate hikes by the Federal Reserve over the next 12 months. The UST market may face more hurdles in the short term on the back of ongoing uncertainty over the outcome of the US 2018 mid-term elections to be held on 8 November. Regional bond markets may continue to be weighed down by further weakness in the UST market should there be massive tax cuts and wider fiscal deficit arising from higher federal spending that would drive up inflation.

Meanwhile on the local front, the potential market driver hinges on the upcoming 2019 Budget to be tabled on 2 November. Bond market players have been staying on defensive mode with the expectation that the new government would announce a tighter budget on the back of the wider fiscal deficit. This in turn could pressure an upside supply risk to government bonds. In fact, weaker sentiment has already prevailed following Moody's concern over the wider fiscal deficit until 2020.

On the monetary policy front, we expect Bank Negara Malaysia (BNM) to keep the Overnight Policy Rate (OPR) unchanged at 3.25% until 1H2019 amid lingering downside risks to growth, US-China trade war and geopolitical risks. BNM could turn dovish on its monetary policy stance if GDP growth is derailed by a massive cut in government spending under an austherity budget.

Malaysian bond market is expected to remain resillient as any sell-off would quickly be snapped up by buying interest given the ample liquidity in the system. Also, the long term demand and supply dynamic of the Malaysian bond market remains intact. We expect trading activities to gradually pick up as the recent upward movement in bond yields provides a good opportunity for investors to switch into higher yielding investments. As such, we too may take profit on short duration bonds and reinvest into longer dated primary issuances for yield pick-up.

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	Net Annual Returns
2013/2014	8.09%
2014/2015	-2.71%
2015/2016	-1.83%
2016/2017	7.13%
2017/2018*	-5.43%

Notice: Past performance of the fund is not an indication of its future performance.

- Referring to the return on 2017/2018*, the actual return on the fund performance is captured at -5.43%. There were adjustments arising from the timing differences in recognition of fees expenses which resulting in an unfavorable return on the fund performance of -5.70%.

- 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 & focus and based on similar time frame of at least 12 months. For funds which have existed less than 12 months, the takaful operator shall not use the annualised monthly performance figures for such purposes.

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 bonds, debentures and fixed income instruments. The institution invested in may not be able to make the required interest payments or repayment of principal.

3. **Country Risk**
   The foreign investments made by the Fund is subjected to risks specific to the country in which it invests. Such risks include changes in a country's economic fundamentals, social and political stability, currency movements, foreign investment policies and etc. The risk may be mitigated by closely monitoring the developments in the countries in order to identify any changes that potentially occur immediately.

4. **Currency Risk**
   Applies to foreign investment and the investment may rise or fall due to fluctuations in the foreign currencies. Adverse movements in currencies exchange rates can result in a loss to the investment. To mitigate the risk, the Fund should limit its investments in the number of countries so that specific country risk is minimized or undertake hedging activities.

5. **Interest Rate Risk**
   Applied to fixed income securities, prices move in the opposite direction of interest rates. If interest rates rise and the security prices fall, this will lower the value of your investment and vice versa.

6. **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.

$$\boldsymbol{Investment\ Return} = \left\{\left[\frac{\boldsymbol{NAV\ 30th\ June\ Year\ X}}{\boldsymbol{NAV\ 30th\ June\ Year\ (X-1)}}\right] - \mathbf{1}\right\} \times \mathbf{100}$$

Others

HLTMT i-Equity Fund is managed by Hong Leong MSIG Takaful Berhad . Any amount invested in this fund is invested by HLM Takaful on behalf of Participant in equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instruments defaults or insolvent, the Participantrisks losing part or all of his/her amount that were invested into the instruments on his/her behalf by HLM Takaful.

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.