

HLMT i-INCOME FUND

February 2020

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 fixed income securities and a small proportion in equity securities.

2. Investment Strategy & Approach

The Fund seeks to generate a stable income stream by investing in mainly fixed income securities with a small investment in equity securities.

3. Asset Allocation

The indicative asset allocation for The Fund is to invest a minimum of its NAV in fixed income securities, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to a maximum of 20% of its NAV in equities.

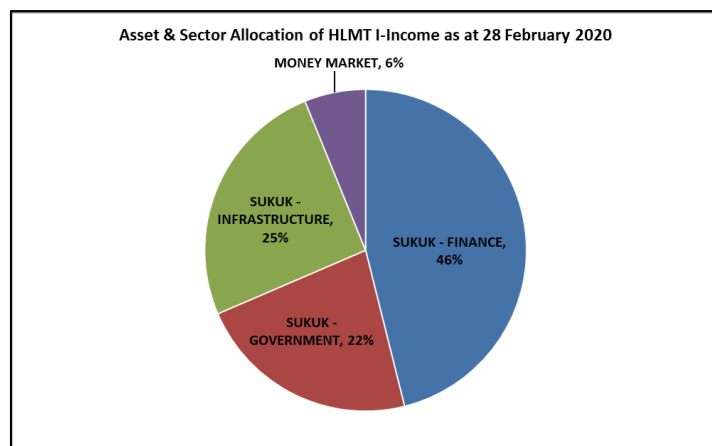
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

4. Target Market

This fund is suitable for investors with low to moderate risk horizon and medium to long term investment horizon.

Fund Details

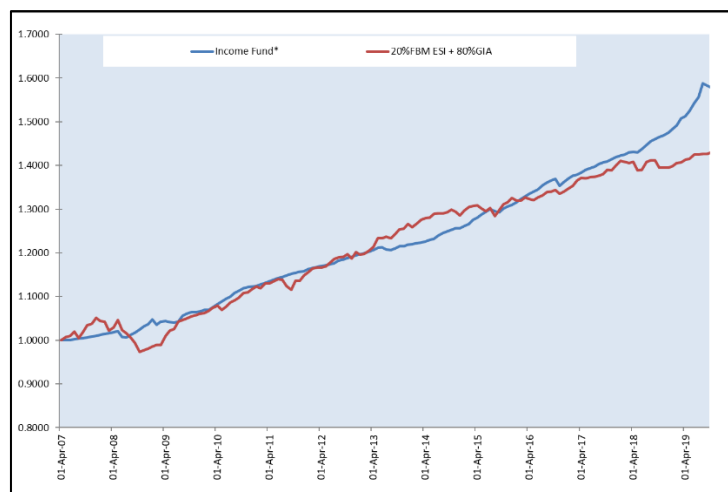
Unit Price (28/02/2020)	RM 1.6387
Fund Size (28/02/2020)	RM4.5mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily



Top 5 Holdings as at 28 February 2020

1	MBSB BANK 19.12.2031	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	13%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	13%
4	MALAYAN BANKING BHD 31.01.2031	12%
5	AMISLAMIC BANK BERHAD 18.10.2028	12%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	1.39%	3.08%	9.84%	6.00%	5.29%	63.87%
Benchmark*	-0.50%	-0.91%	1.40%	1.73%	1.78%	42.49%
Relative	1.89%	3.99%	8.44%	4.27%	3.51%	21.38%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regionally, and eventually globally, sentiment was shattered due to fears that the Covid-19 virus was turning into a global pandemic. While the outbreak appeared to be contained in China with number of new confirmed cases declining gradually, the focus shifted to the sharp rise in reported cases internationally - notably in Japan, South Korea and Italy. Warnings by Apple and Microsoft that they might not meet their earlier guidance due to the disruptions to supply and demand from the Covid-19 outbreak in China further dampened investor sentiment. The spread and economic impact of Covid-19 appeared to be more severe than most economists had anticipated leading to further cuts in 2020 global growth forecasts (recently OECD revised global growth for 2020 from 2.9% to 2.4%). China's central bank tried to shore up sentiment by announcing various supportive measures to ensure adequate liquidity in the banking system.

Domestically, aside from the health crisis posted by Covid-19, the political turmoil exacerbated the bearish mood. The news that the Pakatan Harapan coalition had split led to uncertainty over the administration of the country. The announcement of the RM20b mini stimulus package did little to excite the market. The Dec quarter earnings continued to be uninspiring with disappointments coming from the auto, aviation, petrochemical, utilities and oil & gas. However, on a more positive note we saw higher dividends being declared from selected big cap companies such as Tenaga, Maybank, Petronas Gas and Petronas Dagangan. Ringgit depreciated by close to 3% to 4.215/US\$. Oil price also fell below the US\$50 threshold to close at US\$45.26 (-12% mom).

For the month, markets in general declined. The FBM Shariah fell 3.7% mom, in tandem with the drop posted by the FBM KLCI (3.2% mom), FBM Emas (3.8% mom) and FBM Small Cap (4.1% mom). In February, Malaysia equities saw an outflow of US\$469m (~RM1.98b) with bulk of the outflows happening in the last week, following the ruling government's collapse and the 4Q19 results season. In Jan and Feb collectively, Malaysian equities saw a net outflow of US\$503m (~RM2.12b).

Going into March, markets will continue to be volatile. Investors will be following closely Covid-19's pace of infection outside China as well as China's work resumption progress. Domestically investors will have to brace for short-term policy uncertainties following the unexpected change in federal government as well as potentially several state governments. This latest development could also bring about another round of changes to the various GLCs leadership. We will continue to be defensive - staying invested in dividend yielding stocks with resilient earnings as well as to reassess at some of the stocks which have retraced sharply.

Fixed Income Market

Generally, the month of February was an extremely eventful month for bond markets. The U.S Treasuries ("UST") was trading at historical low levels since the global financial crisis. The 10-year and 30-year UST yields plunged 36 bps and 32bps respectively to close at 1.15% and 1.68% in February. The sharp plunge which came on the back of the coronavirus outbreak has muddled the outlook for the global economy and rattled equity markets. With major U.S. stock indexes plunging into correction territory in the final week of February, money has crowded into sovereign papers and away from risky assets.

On top of the challenges surrounding economic pressures brought about by the widespread Covid-19, the local market was also caught off guard by the political turmoil that sparked worries about the possibility of prolonged political instability

going forward. To counter the slowdown risk amid the Covid-19 outbreak, the government has announced an economic stimulus package that is worth about RM20 billion (about 1.3% of GDP). Nonetheless, given the country's relatively stretched fiscal position for its current ratings, the stimulus package's impact on Malaysia's sovereign ratings came on the radar. This was reaffirmed by a statement released by S&P Global Ratings to warn of potential downward pressure to Malaysia's sovereign credit ratings should new political developments suggest a weakened commitment to fiscal consolidation. That said, the market quickly digested that the mild widening in fiscal deficit would unlikely be of significant concern. All in all, the risk-off mood in the local market continued to be dominated by headlines surrounding Covid-19 globally and saw yields on the local govies move lower across all tenures.

Corporate bond yields dropped further in February by 22bps-37bps across the curve in line with the general trend in the MGS market. Given the scarcity of local corporate bonds, strong investor interest was seen across the government guaranteed ("GG"), AAA-rated and AA-rated space. In the primary space, we have seen some issuers flocking the market to leverage on the opportunity to tap into cheap funding. Some of the prominent issuances include Lembaga Pembiayaan Perumahan Sektor Awam's RM2.25 billion GG papers with tenures ranging from 10 years-30 years at coupons ranging between 3.3%-4.0%, Prasarana's 7-30 years GG issuance at coupons ranging between 3.07%-3.42%. RM2 billion 5 year and 15 year papers issued by AAA-rated Danum Capital Berhad and Top Glove's Perpetual Sukuk which closed 33 bps lower at 3.62% compared to its issued coupon of 3.95%.

The market outlook is expected to be volatile in near term as external and internal driven uncertainties may push local bond yields in either direction. The prevailing external uncertainties on the global pandemic outbreak may slow global growth and result in further rate cut by central banks. Thus, bond yields should move lower but on the other hand, we are mindful of the potential risk of a downgrade to Malaysia's credit rating. This may potentially prompt a wave of outflows from MGS and Government Investment Issues ("GII"), driving the yields higher. Also, the change in government may hinder foreign demand due to policy uncertainties as the new government may have different set of policy priorities. Given the already rich valuations, local bond yields could sharply reverse should we see a downgrade in Malaysia's credit rating and fear of Covid-19 subsiding. As such, we are actively monitoring for opportunities with favourable risk-reward for investment.

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

Year	Net Annual Returns
2015	4.19%
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%

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

3. Profit Rate Risk

Applied to fixed income securities, 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

- 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.
- 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.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - 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.
- 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 equity, fixed income, collective investment scheme and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, 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.