هوغ ليوغ م.س.أ.ج. تكافل
HongLeong MSIG Takaful

HLMT i-INCOME FUND

June 2018

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.

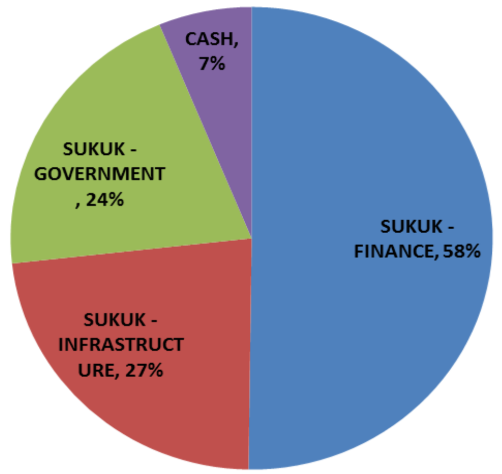
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

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 (29/06/2018)	**RM 1.4369**
Fund Size (29/06/2018)	**RM 3,359,538.00**
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**

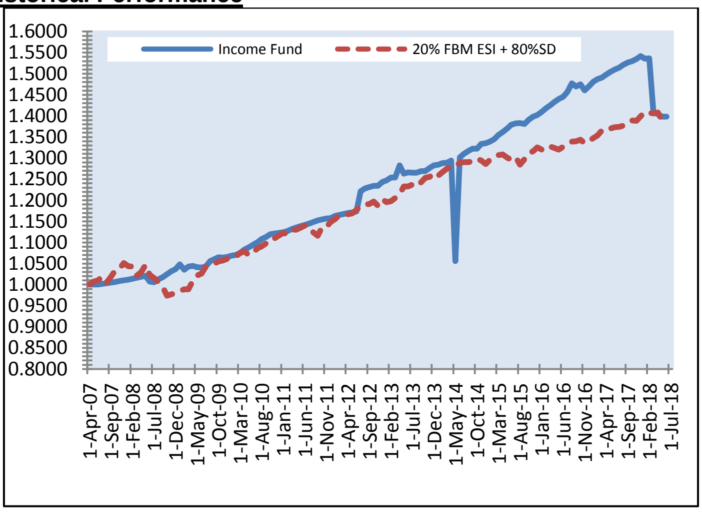
Asset & Sector Allocation for HLMT I-Income as at 30 June 2018



Top Holdings

1	MALAYSIA INVESTMENT ISSUE 14.04.2022	24%
2	P. TABUNG PENDIDIKAN TINGGI 26.03.2021	15%
3	RHB ISLAMIC BANK BERHAD 15.05.2024	15%
4	HONG LEONG ISLAMIC BANK 17.06.24	15%
5	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.0003%	-7.35%	-7.35%	0.47%	2.01%	6.05%
Benchmark	0.001%	1.17%	1.17%	2.36%	2.42%	5.92%
Relative	-0.0007%	-8.52%	-8.52%	-1.89%	-0.41%	0.14%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

June was a volatile month for global equity markets where investors were spooked by escalating trade tensions. A more apparent synchronized tightening of liquidity in global markets also did not help markets. The European Central Bank signaled a close to its quantitative easing program while the Fed raised rates, followed by the guidance of 2 more hikes for the rest of the year.

Domestically, foreign selling continued with total cumulative net selling of RM7b on a year to date basis. Investors were mainly concerned over short term policy uncertainty, opting to sell ahead of any potential negative news. The government was also seen undertaking GLC reform initiatives following the resignation of heads in Telekom Malaysia, MRCB, Malaysian Airports and the chairman of PNB. The Government also announced Datuk Nor Shamsiah as the new Bank Negara governor following Tan Sri Muhammad Ibrahim's resignation. Following the retracement in oil prices which came under pressure from a proposed initiative by Opec and Russia to ease up on global supply cuts despite softening demand, the Ringgit depreciated in tandem to above RM4/US$ level.

During the month, the FTSE Emas Shariah was down by 0.7% mom to 12,092.55 pts outperforming the KLCI which fell by 2.8% mom and FTSE Emas which fell by 1.4% mom. FTSE Bursa Small Cap index posted an increase of 1.5% mom in June as it had fallen substantially much earlier. The Ringgit depreciated by 1.5% mom against the US$ to 4.0385.

Going forward, regional markets are expected to be volatile in the second half of the year due to short term uncertainties especially as trade war brick bats between the two super powers continue whilst China's economy is starting to slow down. Domestically markets will also be volatile taking its cue from the region compounded by the ongoing review on mega projects, higher minimum wages, potential break up of monopolies and possible downgrade of corporate earnings. Among the key events to watch for will be the upcoming Budget 2019 in November as well as new policies introduced following the formation of the new cabinet. However, a volatile market does offer buying opportunities and themes that we still like are: 1) rising consumerism following more positive consumer sentiment, 2) elevated crude oil prices and 3) blue chips with defensive earnings quality that offers steady dividend yield.

Fixed Income Market

For the month of June, the US Treasury (UST) yield was on a whipsaw movement. Initially, UST yield was on an upward trend for the first half of the month as a result of selling pressure. This was driven by growth optimism stemming from an upbeat May nonfarm report and strong headline inflation data which rose to 2.8% yoy in May from 2.5% yoy in April. With that, the Fed rate hike cycle was reinforced. Speculation on the EU winding down its quantitative easing during its monetary meeting also added some upward pressure on yields. The Fed raised the benchmark interest rate by 25bps to 1.75%-2.00% as expected during the June FOMC meeting. It also lifted its dot plots projection for 2018 by pointing to a total of four rate hikes. Despite the hawkish tone, UST shortly reversed and rallied on the back of trade tension between the US and China after the White House announced the list of $50bil worth of Chinese goods to be slapped with tariffs. In retaliation, China also subjected $34bil worth of US imports to tariffs.

On the other hand, sentiment of local govvies remained soft amid lingering domestic policy uncertainties, lack of fresh catalysts and weakening ringgit due to the escalating trade war sentiment which spread across EM markets. Overall, yields were higher across the curve and flows were seen skewed towards the shorter tenures. Thus, as at month end, 5 to 15 years MGS benchmark yields increased by 0.8 - 3.6 bps while the 3 years, 20 years and 30 years benchmark decreased by 9bps, 2.4 and 1.3bps respectively.

Both the primary and secondary market for Private Debt Securities and Government Guaranteed Bonds also slowed down due to the recent festive season. Interest for secondary bonds only picked up later in the month and primarily focused on the government guaranteed space. Meanwhile, there were several primary issuances at month end with the prominent ones being Ambank senior bonds, Hong Leong Financial Group, Mercedes, Public Bank AT1 and Genting Malaysia.

For the month of July, we expect the local bond market to be more active with some market participants trying to rebuild their portfolio for their new financial year. Nevertheless, the macro outlook will still play a key role in determining the direction of local bond yields. Key events to be observed for the month are the respective Bank Negara, Fed, ECB and BOJ Monetary Policy meetings although we do not expect any major change in their policy stance.

However, should there be any rally in the local govvies, we expect more demand on the secondary PDS as a viable alternative. However, GGs will continue to be the top pick since market is expecting fewer GGs in the pipeline while the spread over MGS is still attractive for a low risk asset. In the primary pipeline there will be 3 govvies tenders and very few corporate PDS issues namely, Public Islamic Bank's senior bond and UOB Bank's subdebt.

Our strategy is to take profit on some govvies positions from earlier tenders when there is any opportunity while participating in the primary issuances for yield pick-up.

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

Year	Net Annual Returns
2013/2014	1.59%
2014/2015	5.91%
2015/2016	4.79%
2016/2017	4.47%
2017/2018	-7.35%

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

- Referring to the return on 2017/18, there were adjustments arising from timing differences in recognition of fees expenses were accounted for in year 2017/2018 resulting in an unfavorable return on the fund performance. However, this adjustment does not impact the actual performance of The Fund for unit allocation.
- Net returns are adjusted for tax and fund management fees. Those are the actual returns in the past five (5) years, or since inception if shorter, and are strictly the performance of the investment-linked fund. Thus, the returns are not earned on the actual premium paid of the investment-linked product.

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-Income 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.