HongLeong MSIG Takaful

HLMT i-BALANCED FUND

February 2019

Fund Features

1. **Investment Objective**
The objective of HLMT i-BALANCED FUND ("The Fund") is to achieve regular income as well as medium to long-term capital growth through a diversified investment portfolio containing equity and fixed income securities.

2. **Investment Strategy & Approach**
The Fund seeks to maximize total returns by providing investors with a combination of capital appreciation and income distribution while reducing risk through diversified investments in equity and fixed income securities.

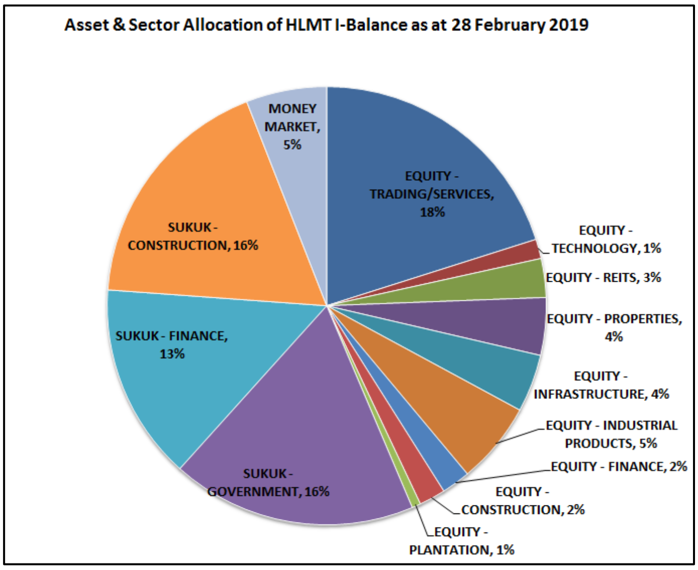
3. **Asset Allocation**
The indicative asset allocation for The Fund is to invest a minimum of 30% of its NAV in fixed income securities, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to 70% of its NAV in equities.

Asset	Ranges
Shariah-Compliant Equities	0%-70%
Islamic Fixed income securities/cash	30%-100%

4. **Target Market**
This fund is suitable for who are looking for a mixture of safety, income and modest capital appreciation with moderate to high risk tolerance and medium to long term investment horizon.

Fund Details

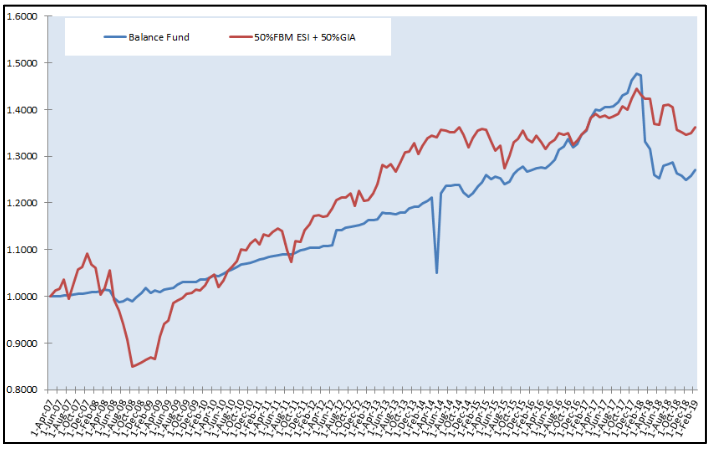
Unit Price (28/2/2019)	**RM 1.2703**
Fund Size (28/2/2019)	**RM 6,220,290.92**
Fund Management Fee	**1.25% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Balanced**
Fund Inception	**April 2007**
Benchmark	**50% FBM Emas Shariah Index + 50% GIA**
Frequency of Unit Valuation	**Daily**



Top Holdings

1	PUTRAJAYA BINA SDN BHD 24.03.2023	16%
2	SARAWAK HIDRO SDN BHD 11.08.2025	16%
3	AMISLAMIC BANK BERHAD 18.10.2028	8%
4	PUBLIC ISLAMIC BANK BHD	5%
5	BGSM MANAGEMENT SDN BHD 24.12.2020	5%

Historical Performance



	1 month	YTD	1 Year	3 years	5 years	since inception
i-Balanced	1.05%	1.47%	-13.98%	0.10%	1.29%	4.91%
Benchmark	0.86%	-0.37%	-5.70%	0.62%	0.84%	6.37%
Relative	0.19%	1.84%	-8.28%	-0.52%	0.44%	-1.46%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Moving into February, we saw better risk appetite among investors regionally. Market was optimistic when the Fed indicated that they will be more willing to hold back raising rates even if inflation or growth picks up. As a result, investors were willing to bet that the other central banks would also be looking towards re-starting monetary easing aided by the lack of inflationary pressures. In addition to that, investors were also relieved that the US President was willing to push back the March 1 deadline for additional tariff hikes. Oil prices enjoyed a rebound during the month; +6% mom to US$57.25 per barrel on the back of Opec and Russian-led supply cuts as well as US sanctions on oil producers in Iran and Venezuela which helped offset rising US production. However, things on the geopolitical front seems to have intensified over the month with two nuclear rivals - India and Pakistan launching tit-for-tat airstrikes prompting global concerns over a potential outbreak of war in South Asia.

Back in Malaysia, it was the quarterly corporate reporting season. Majority of the earnings seen were relatively weak. Major disappointments came from the plantation, utilities, property, construction, telco and aviation sectors. During the month we saw EPF declaring a dividend of 6.15% for the conventional portion and 5.9% for Simpanan Shariah. The major unexpected news that took the majority of investors by surprise was the announcement by the government that it has commenced talks with Gamuda to negotiate the acquisition of highway concessions for LDP, Sprint, Kesas and Smart Tunnel.

For the month, the FBM Emas Shariah performed better than the KLCI with a 1.6% mom gain to 11,732.11 pts. The KLCI underperformed the broader market with a gain of 1.4% mom to 1,707.73 pts. The FBM Small Cap was the best performing index increasing by 3.6% mom to 12,545.66 pts. FBM Emas increased by 1.4% mom to 11,826.70 pts.

Going forward, investors will continue to follow closely the outcome of trade talks between the US and China as well as the outcome of Brexit negotiations. Domestically, among key events to watch include the response to the launch of the National Home Ownership Campaign Expo from 1st to 3rd of March, and it if manages to lift inventory in the property sector. Also, with the cap of RON95 pump price at RM2.08 per litre, this could potentially provide further support to private consumption growth. We remain defensive with a preference towards oversold stocks as well as stocks that offer earnings resilience with steady dividend yield.

Fixed Income Market

UST yields cruised within a descending triangle for the month of February and finally broke higher despite somewhat dovish commentary from the Fed chief. This sharp movement in long-term yields could be a result of significant corporate issuance in the US as well as a wave of debt selling in Europe. Major central banks have also backtracked on policy tightening plans on heightened concerns over the risk of a prolonged synchronised slowdown. Henceforth, they are likely to take a wait-and-see approach to rate normalisation and balance sheet reduction.

Locally, government bonds ("govvies") curve saw a sharp rally fuelled by risk-on sentiment in emerging markets ("EMs") over trade talk progress and a rebound in Malaysia's Q4 GDP figure. The 10 year MGS readjusted lower upon the issuance of the new benchmark MGS, ending the month 18bps lower.

In the primary issuance space, prominent issuances were the government-guaranteed ("GG") 7-30 years Danainfra Nasional Berhad amounting to RM3.0 billion and AAA-rated Danum Capital Berhad amounting to RM1.5 billion. Secondary trading volume saw huge pick-up in momentum with transactions recorded across the curve, along with broad buying interest across the GG-AA rated part of the curve.

As the Fed has once again conveyed that they are committed to take a more patience stance to its monetary tightening exercise coupled with the fact that US growth going forward is currently tilted towards the downside, we are unlikely to see a rate hike in March. Thus, the uncertainties that lie ahead now involve a rather jam-packed month filled with geopolitical events that will dictate the market landscape for the rest of 2019 and beyond, with the two biggest being Brexit and the US-China trade negotiation which is currently on a positive tone. Barring any major surprises, Treasury yields would likely trend moderately higher on continuation of risk-on sentiment and repositioning into riskier assets.

On the local front, govvies and corporate papers piggybacked on the return of interest in emerging markets as expected. However, the aforesaid rally may not be sustainable as further downward shift in the MGS curve is opined to require fresh policy-related catalysts that would entice strong foreign interest in addition to the pool of domestic liquidity. That said, potential catalyst for the market could lie with the planned JPY200 billion Samurai bonds (approx. RM7.4billion), which will be completed by March and the proceeds will be converted to Ringgit.

Given that we are quite fully invested, we will take a more defensive stance for time being since the current risk-reward proposition looks less attractive with the 10 year MGS hovering below 4% and the spread of GG bonds over MGS having narrowed to 30 bps. At this juncture, we would prefer to invest in selective corporate bonds for yield enhancement and monitor the market for opportunities to realise some gains on some of the govvies positions taken earlier.

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

Year	Net Annual Returns
2013/2014	2.51%
2014/2015	2.95%
2015/2016	1.91%
2016/2017	9.75%
2017/2018*	-0.82%

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 -0.82%. There were adjustments arising from the timing differences in recognition of fees expenses which resulting in an unfavorable return on the fund performance of -10.93%.
- 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-Balanced 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 Participant risks 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.