HLMT i-INCOME FUND

June 2019

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.

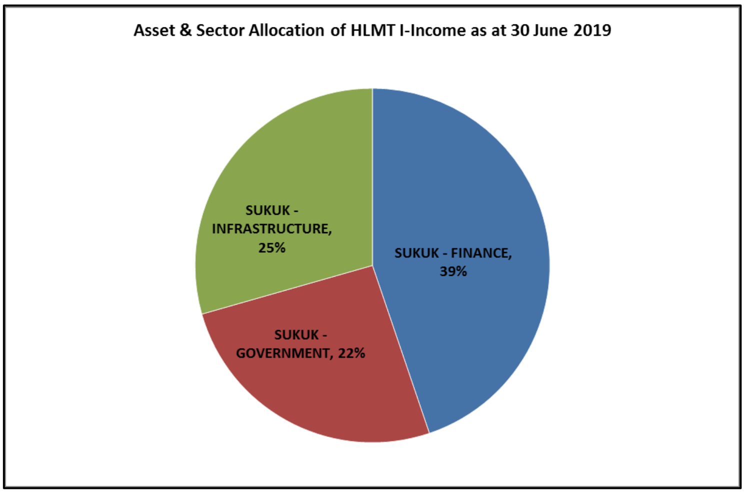
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

4. Target Market

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

Fund Details

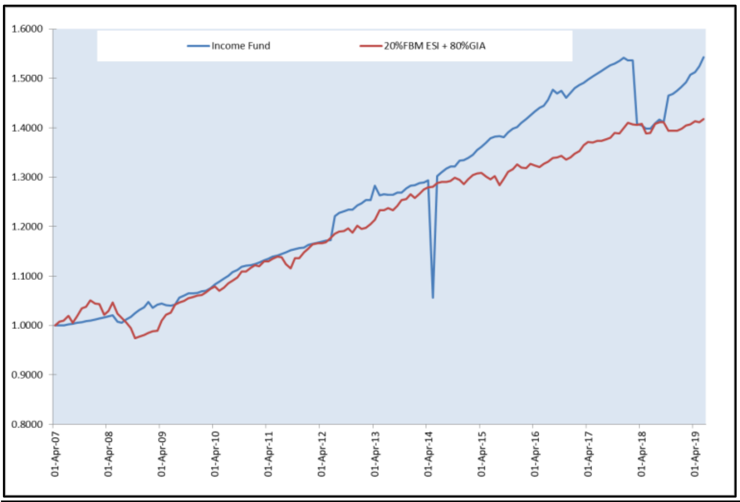
Unit Price (28/6/2019)	**RM 1.5428**
Fund Size (28/6/2019)	**RM3.8mil**
Fund Management Fee	**1.00% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Sukuk**
Fund Inception	**April 2007**
Benchmark	**20% FBM Emas Shariah Index + 80% GIA**
Frequency of Unit Valuation	**Daily**



Top Holdings

1	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	14%
3	MALAYAN BANKING BHD 31.01.2031	13%
4	AMISLAMIC BANK BERHAD 18.10.2028	13%
5	MALAYSIA AIRPORTS HOLDINGS 15.12.2049	11%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	1.15%	10.30%	10.30%	2.20%	3.45%	54.26%
Benchmark	0.49%	2.04%	2.04%	2.23%	1.93%	41.79%
Relative	0.66%	8.26%	8.26%	-0.02%	1.52%	12.48%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regionally, markets moved up as investors started to price in lower cost of capital with central banks globally turning more dovish in their interest rate posture especially with the Fed removing its 'patient' stance. Economic numbers have shown signs of stabilisation with solid consumption data coming out of the US. However, the central banks' dovish outlook was premised on cushioning the downside risks stemming from geopolitical factors and the trade war. For the month, all eyes were on the Xi-Trump meeting at the G20 summit where the meeting ended with a trade truce and trade negotiations back on the table.

The easing cycle in the US has ushered in a new capital inflow cycle to emerging markets including Malaysia, as investors return to the game of yield hunting. Hence, Malaysia rallied in June as foreigners returned to the market with a net inflow of 0.1 bil after 4 consecutive months of net outflows averaging RM1.5 bil per month, bringing the YTD net outflow to RM4.8 bil. The higher market was driven by defensive sectors such as utilities and telecommunications whilst more cyclical sectors (Oil & Gas and Financials) underperformed. In the month, we also saw more news-flow from the government on the purchase of four toll highways from Gamuda for RM2.36 billion and the release of Mavcom's second consultation paper proposing a WACC of 10.88% for MAHB.

The FBM Shariah outperformed the FBM KLCI in May. FBM Shariah was up by 2.9% mom to 12,132.94 pts while the FBM KLCI was up by 1.3% mom to close at 1,672.13 pts. FBM Emas was up by 1.7% mom to 11,781.58 pts and FBM Small Cap was the best performing index recording an increase of 3.6% mom to close at 12,996.06 pts in June.

Going forward, the market will continue to be volatile, predominately driven by news-flow from the US-China trade war. The outlook for the local bourse is also uninspiring due to external uncertainties and the subdued domestic environment as well as prolonged weakness in commodity prices. We will continue to stick to quality names with resilient earnings and dividend yield. Among the other themes that we like are beneficiaries of government pump-priming.

Fixed Income Market

The month of June was rather eventful and yields on the 10-year Treasuries continued to trend lower, making several attempts to break the psychological 2% mark. This is deemed significant because the last time 10-year Treasuries yielded less than 2% was in November 2016, primarily weighed down by market players pricing in the possibility of multiple rate cuts by end of 2019. The persistent downtrend also came on the back of tensions between the United States and Iran after the latter shot down a US drone in the international air space. On top of that, the ongoing global trade war as well as worries about the interaction between the two economic giants ahead of the G20 meeting weighed on investors' sentiment and economies around the world. Lower yields are not unique to the United States as the said tensions and monetary policy shift globally have sparked a sharp rally in almost all Asian sovereign bonds in tandem with their global peers.

At home, local govvies also benefited from the bullish run in the global sovereign bond market. The GII curve shifted 5-27bps lower across the various tenors as markets position themselves for a rate cut by the Fed in September after the dovish tilt by global central banks.

Secondary trading activity in the corporate bond space was decent for the month of June with strong interest across the government-guaranteed papers followed by the AAA and AA space as yields trended lower on strong demand. The prominent new issuances during the month include Pengurusan Air SPV Berhad's RM1.1b of AAA-rated bonds between 5-10Y tenures with coupon of 4.00-4.15% and HLFG issued RM1.1 b Tier 2 subdebt at 4.30%. In the credit space, it is worth highlighting that Bright Focus Berhad's RM1.35 billion Sukuk Musharakah (2014/2031) saw a multi-notch downgrade to BB1 from A1 and the rating has been put on Rating Watch, with a negative outlook. The downgrade was initiated on the back of severe impairment in Bright Focus' debt-servicing metrics following further unanticipated advance by its 96.8%-held subsidiary – Maju Expressway Sdn Bhd – to the ultimate parent company (Maju Holdings Sdn Bhd), in addition to a deterioration in the highway's projected annual cashflow.

Outlook & Strategy

As the leaders of the two economic powerhouses attempt to commence fresh trade negotiations, we foresee UST yields to trade sideways to mildly up as market is expected to regain some confidence. While market sentiment is expected to improve, we still believe that the fixed income market remains a relatively attractive option for the rest of the year even with the recent trade truce as core issues of the trade war – dispute over intellectual property and transfer of technology have not been resolved. We continue to expect market players to maintain their overweight stance on bonds until further clarity surfaces from the trade negotiation between the two global superpowers. While the Fed decided to keep rates unchanged in June, its language has noticeably turned more dovish as key economic indicators exhibited significantly poorer showing. The recent development in trade is likely to have only slightly tempered the expectations of imminent Fed cuts as the truce that maintains current level of tariffs will likely be insufficient to turn the rapidly deteriorating economic outlook.

On the local front, while domestic liquidity remains supportive, we opine that the risk-reward for MGS is turning less favourable. With risk events ahead such as FTSE Russell's decision and uncertain outcome from US-China's renewed trade negotiation; we think that the outlook for MGS is mildly bearish. While BNM's liberalisation measures have mitigated some of the concerns of MGS being excluded from the FTSE Russell World Government Bond Index, we still think that the probability of exclusion should not be underestimated and the announcement may come in as early as in August 2019. In the event that MGS is excluded from the index, we foresee an additional RM15-20 billion of foreign outflows from MGS, largely due to selling by passive funds. That said, the exclusion, if it happens, is unlikely to threaten domestic macro-stability as domestic liquidity remains ample.

Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govvies as and when the opportunity arises. We would continue to be proactive in making adjustments to our trading and investment strategies to take advantage of the ever-changing market dynamics and developments.

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*	3.08%

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 3.08%. There were adjustments arising from the timing differences in recognition of fees expenses which resulting in an unfavorable return on the fund performance of -7.35%.

- 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.