HongLeong MSIG Takaful
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HLMT i-INCOME FUND

March 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%

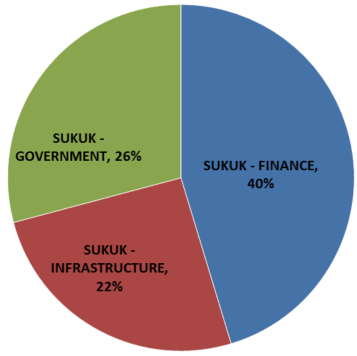
4. Target Market

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

Fund Details

Unit Price (28/2/2019)	**RM 1.5072**
Fund Size (28/2/2019)	**RM3.7mil**
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**

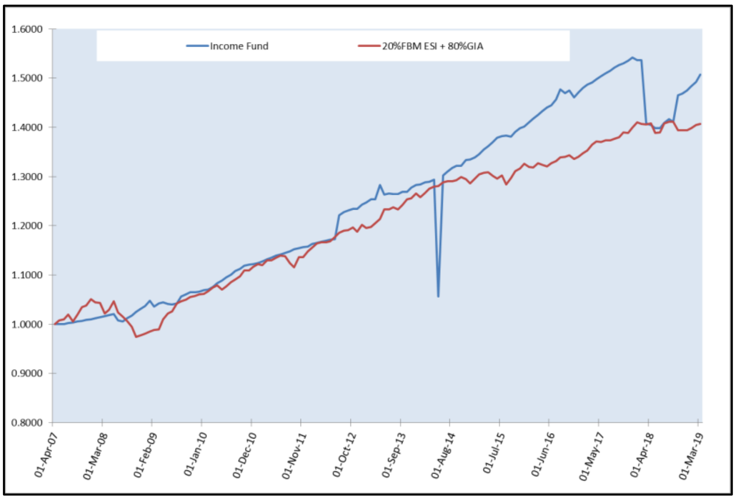
Asset & Sector Allocation of HLMT I-Income as at 29 March 2019



Top Holdings

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

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	1.04%	7.79%	7.07%	1.90%	3.18%	8.56%
Benchmark	0.13%	1.26%	0.07%	1.96%	1.98%	7.07%
Relative	0.91%	6.53%	7.00%	-0.07%	1.20%	1.49%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regional markets in general were positive in March. While Beijing cut its GDP growth target from 6.5% to a range of 6-6.5% citing negative impact from the trade war and falling consumer demand, policymakers also announced a slew of tax cuts totalling about US$300b with an increase in infrastructure financing by about US$320b to fund key projects as counter-measures to boost the local economy. The Premier also emphasised that the government could still use reserve requirements and interest rates measures to provide further support to economic growth. The recent FOMC meeting also saw the Fed reiterating its dovish stance with a more accommodative outlook. News that the central bank did not foresee any interest rate hikes added to the better sentiment. The European Central Bank has also pushed back its policy tightening plan to 2020 to promote growth. However, Brexit fears continue to snowball in Europe with lawmakers divided and Prime Minister Theresa May's exit plan rejected for the third time. UK now has until April 12 to propose a plan for the EU leaders to consider.

Malaysia on the other hand was the worst performing market in the region with a YTD decline of 2.8% for FBM KLCI, likely due to continued sluggish corporate earnings and stretched valuations. Bank Negara Malaysia's cautious outlook was reflected in the revision downward of local economic growth from 4.9% to 4.3-4.5%. The Invest Malaysia conference held in March again failed to provide any excitement for investors in terms of any potential growth policies in the pipeline. Foreign net selling accelerated to an amount of RM1.6b.

The FBM Shariah was quite stable during the month, with a 0.4% decline to 11,688.06 pts. The FBM KLCI was down 3.8% mom to close at 1,643.63 pts and FBM Emas was down by 2.3% to 11,553.84 pts. FBM Small Cap recorded a +1.3% mom to close at 12,711.30 pts in March.

Going forward, investors will continue to monitor the latest developments on the ongoing US-China trade talks, Brexit development and the China Belt and Road Forum. On the local front, all eyes will be on the release of the Felda White Paper, local developments from the ongoing Parliament sitting as well as the upcoming power sector market structure reform plan. We remain defensive, seeking high dividend yielding stocks at palatable valuations as well as stocks that have been oversold with potential earnings turnaround prospects.

Fixed Income Market

The fixed income market has been buoyant so far in 2019 and momentum pumped up in March as bond investors turned increasingly downbeat about economic growth, and therefore inflation and the likelihood of central banks cutting interest rates. The ongoing subdued sentiment has been largely validated by disappointing economic data in China, Europe and the US, and the marked dovish shift by the European Central Bank whom have suggested the possibility of restarting its quantitative easing programme when necessary. This was also largely fuelled by the Fed dropping plans to raise interest rates this year and scaling back its balance sheet reduction programme. As such, the US yield curve inverted as investors sharply marked down their expectations for growth, inflation and interest rate hikes.

Locally, government bonds (govvies) also rallied on the back of BNM's dovish tilt cautioning downside risk to growth. The latest BNM Annual Report which was released on 27th March 2019 saw the official real GDP growth forecast revised downwards to a range of 4.3%-4.8% from 4.9% previously. The MGS curve shifted lower with the 3y steeply lower by 21bps, 12bps lower at the 10y, 19bps lower at the 20y and 13bps lower at the ultra-long 30y. On a separate note, the Malaysian government's debut issuance of the 10 year Samurai bonds of JPY200bil/MYR7.3bil received some decent interest, clocking in a 1.6x bid-cover ratio.

Corporate bond issuance started the year on a decent pace with a gross amount of RM24.9 billion in 1Q2019, albeit lower than the high base of RM29.6bil in 1Q2018. Similar to the previous month, the month of March was also eventful for fresh issuances following a compression in yields and robust demand domestically for corporate papers. Some of the prominent new issuances in March are primarily those from the government guaranteed space. This include the PTPTN's 10-30 year papers with a total issuance size of RM3billion, AA1-rated Sabah Development Bank Bhd with an issuance size of RM540 million and RM600mil by SME Corp.

Outlook & Strategy

Following the dovish rhetoric by global central banks on economic slowdown worries and BNM's expectation of more sluggish growth, a rate cut has been widely discussed and is perhaps the core driver of the MGS rally in March. Nonetheless, as expectation of a rate cut by BNM is being increasingly priced in by the market, an eventual OPR cut may not add much momentum to the current rally unless BNM signals an even more dovish stance in its upcoming appearances. As such, we opine that further downward shift in the MGS curve would need sizeable foreign interest which would hinge on potential risk-on appetite for emerging market papers or policy-related domestic catalysts.

Corporate bond issuance is expected to continue its momentum on the back of financing needs for infrastructure projects such as MRT2 and LRT3 and resilient domestic demand for corporate papers. While the government is reviewing the project delivery partner model of Pan Borneo Highway, Work Minister Baru Bian reassured that ongoing package contracts will continue and the government would not terminate those projects. Additionally, the momentum in upcoming issuances is also likely to be fuelled by reasonably large refinancing needs for maturing papers and those that are due to be callable this year. In view of the above, we will seize opportunity to switch out of low risk assets to corporate bond for yield enhancement purposes.

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.